



Merlin Entertainments plc - New Brands Analyst Event

5 June 2018

Birmingham, UK

Mark Fisher – Chief Development Officer

Good morning, everybody. Thank you for making the effort to come from wherever you've come from. We talk a lot about theory in a lot of the presentations, but today we will literally be able to push things and see that they are actually working.

What I thought I'd do first of all, very quickly, is introduce who we are, my fellow colleagues. I know quite a few people in the room over the years, lots of well-known faces. I'm Mark Fisher, and I've been in Merlin since the start really. I started in '95, four years before we did the IPO. At some stage I've been Managing Director of every piece of the business and now run something called Merlin Magic Making which, again, if you're not familiar with, the next 20 minutes will give you a good look at what that is.

A lot of you will know Alistair Windybank. He was in charge of Investor Relations for a number of years, including during the IPO. Since then, he's moved over to help me run MMM. Paul Moreton is Group Creative Director, so it's his fault for all the crazy ideas that you see us coming up with and what we do. He's got a great team of people that are involved, not just in the creative though, all the intellectual property and research and development that we do. He was in this industry and then went out into media for a number of years, and now has come back home, is the saying. Mike Vallis has been with the company a long time, but has been Divisional Director, running some of the parks. He's run Chessington and Thorpe over the years, and then was appointed Divisional Director for the New Brands in 2016. You'll see as we go through today, because a lot of these things are conceptual when we're doing them, this role is really, really important just to make sure, operationally, we get it right. So hopefully that just shows you a little bit of the experience that's in front of you today.

What are we trying to do today? We'd like you to understand Merlin Magic Making. We believe, and we have always believed that it's a unique in-house resource. There is nobody else that does the same things that we do on the planet, and it's pretty funky, some of the stuff that we do. Then to give you a little bit of an insight into three of the new concepts that we've got at the

moment. So I know we're talking Bear Grylls an awful lot today, but also Peppa Pig. We've got a few things around, but obviously we're in a mode of building those things at the moment. We couldn't bring the whole of Beijing here, so we brought mini-Beijing for you to have a look at, with some of the models that we have in Little Big Cities. Then obviously one of the great things is we'll kit you up in hard hats and boots, and nice vests, and we'll go and have a look at some of the things that are happening over the road.

So here's the agenda, it's quite packed. I get to talk to you for just 30 minutes, which is probably a good thing if you've heard me talk before. Then I'm going to hand over to Paul and Mike, who are going to take you through the actual brands themselves, what we've been doing with the actual attractions, how we operate. And then finally, Al's going to talk about the rollout potential and some of the associated challenges. So hopefully that's going to be pretty comprehensive, but clearly we'll leave a bit of time for you to ask us some questions, and we'll do our best to answer those at the end.

So Merlin Magic Making really is at the heart of everything we do, so we work very closely with the three operating groups, with the Resort Theme Parks, LEGOLANDs and Midways, and with the New Openings Group, who obviously you know were responsible for launching all the new business that we've got at the moment. I guess the beauty of what we do is that we can get our face into just about everything that happens in Merlin. This is a flash of the kinds of things that we do. We drive at business development. That's both within the new brand side of things, but also within the existing Midway rollout. We're involved in all the new brand creation. Latterly, in the last three years, we've taken on Group Engineering. I've got a little bit about that, because that's one of the newer things that we're involved in. There's the production side – and I've got a little bit on slides that will talk about all these – and that's really about the content that you'll see when you go into our attractions.

Then right at the other end of the scale is all the animal husbandry. So we have the vets, we have the marine biologists and everybody else that's looking after the welfare of the animals. We can build stuff, not just LEGO. We've got some really good project management resource across the world. We look after and we generate the relationships with all the intellectual properties. So we've got a small team of people there, and we probably know most big intellectual property owners somewhere along the world. It's a bit about relationships. Some of those things can take years in the making.

Then finally, the product innovation. We're probably not going to see so much of that today, but there's a team of people under Paul, that are looking at how – what is the next generation in five years' time, because one of the things we know we can't do is stand still. A really good example of that, for those of you that watch Britain's Got Talent – and I'm sure that there's a lot of you in the room – we've just done some fantastic conceptual stuff on masks, where we've managed to create masks that are exactly like the models in Madame Tussauds. But obviously, if somebody's wearing them the figures have come alive. We got them onto Britain's Got Talent on Saturday,

and that's a real move forward in innovation, because the idea there is that Madame Tussauds, instead of being a static wax, will be able to interact with people. So we did, unsurprisingly, Harry and Meghan, because everybody seems to want to meet them just at the moment – there's been a little bit of a wedding, apparently. But that gives you a little bit of an insight on those things. Maybe at some stage we'll come back and we'll talk about some of the innovations things.

So on the Finding The Magic, which I guess is really this NBD [New Business Development] side: you know already – I've talked many times – that everything we do is based in research. We don't take anything for granted and think that we've got experience in something, because we're always amazed at how we're re-corrected by people: we think something's brilliant and the public will say, 'Well, actually, it would be brilliant if you did it this way instead.' So there's a small research unit that we've got, with five or six people in there, that we're continually doing desktop research, we're doing qualitative and quant research on particular attractions, and one of the ways that we've developed is just keep going back and asking questions. They're involved in the site acquiring. So we've got a small team in the US, in Asia, in Europe, and they're out there trying to find the new SEA LIFE Centres, the new Madame Tussauds, the new LEGOLAND Discovery Centres and then, obviously more latterly, some of the new brands that we're going to talk about today.

The financial, tax and legal side – not probably my favourite bit, if I'm honest, but really important when we're doing these things that we understand every time we go into jurisdictions in somewhere like China, that's not China the country, that is a regional piece. It's all different and we have to almost start from scratch again, and understand how we're going to operate the business within the constraints that we need to. Then what we do is we champion through the investment process we've been through. I think what we've talked about before is that we have a board paper process that we sign money off at different levels as we get projects further down the line, until we take it to our plc board. We'll champion that all the way through until we've got permission to go and spend the money and open the attraction. So I guess it's really from conception to birth, and at birth then the New Operating Group are heavily involved, and they'll go off and operate and launch.

Then finally, on the acquisitions – and particularly the acquisitions that are probably single-site acquisitions – so something like Istanbul, where we bought the aquarium – would be pretty heavily involved in that. Bigger acquisitions tend to involve a lot more of the senior team, obviously in their very nature. So that's the kind of Finding The Magic piece.

On Creating The Magic, this is, I guess, a bit like Willy Wonka's toy store. Everything you see within Merlin is developed in-house. So whether that's an existing estate, exhibition in the SEA LIFE Centre, whether that's a ride, whether it's a show, we've got a group of creatives under Paul who are developing all those things. They look at all the new attraction rollouts. We try a little bit more these days than some of those rollouts, like LDCs, as we don't change them all the time. We just try and get them out a little bit faster, so we do a little less of that. They're involved in

all the new brand creations. So everything you see here today will have been developed by this team. Not just this team. One of the things that was important, and you'll see as we develop these three attractions three different ways, because there are different ways of doing it. Some are about co-creation, some are about public co-creation and some are in-house, and that's quite important, really, to understand how we do that.

The IP, which we know is more and more important, they look after all the IP and all the relationships, and that's no mean feat. There's some brilliant AAA brands that we're involved in, and having those relationships and keeping those relationships really positive is something we work very hard at. Then finally, the accommodation, that you know has been super, super successful for us, in what we've been doing.

This gives you a little bit of a theme on the intellectual property, and I guess the sparkle. Our aim is to move one or two bigger players into the middle. Clearly LEGOLAND is our biggest intellectual property that we're doing. And we would hope over time that what we see as the second layer, if you want, we would move something like Peppa Pig. The opportunity for Peppa Pig could be a game-changer. If we get it right, it refreshes the Midway rollout. But again, when we talk about things with the Bear Grylls, the reception of that so far has been really, really good with the people that we've been talking to, to the point where we have people approaching us as well, whether we want to do things on their behalf. Something like the BBC, the only reason the BBC sits on that outer curve is because it's limited geographically. We can't go and roll out that out all over the world – and CBeebies – but they're a really good partner. We did the CBeebies hotel in Alton Towers last year, which has been a super success, and the CBeebies Land, and we're constantly talking with them, as they have new intellectual property, how we might work with them.

But that gives you a bit of a flavour. Some of you, again, that have been around a long time, DreamWorks was very clearly there and is still there, from the attraction we've got in London. But again, we know the history now, with that being sold to Universal, that that's probably not one that we would be advancing because they don't see a longer-term rollout potential because they want to use that itself. And that, I think, is just consistent with what we said before.

So Producing the Magic: obviously the wax figures are a really important part. Some of you will have been to Acton. If you've not, and you talk to Simon, I'm sure he can arrange another tyre-kicking trip. This really is a fantastic, magical place if you go and see how they're all done. We're moving some of that technology on. We're doing a lot more interactive figures now, we're doing a lot more dynamic-posed figures, and you can see the quality of what we do and how we do it, with the process we do, is really fantastic.

LEGO models: I think when I stood up in 2013 we said six model shops around the world. We now have four, and the idea there really is we've become more efficient, because we inherited quite a lot of those model shops. So what we've been doing is we've been looking at where are

the best places for quality. We've been looking at the cheaper places to produce some of those models, or actually, we've probably been looking at the dearer places rather than just the cheaper places, and moved those out. Then also we've been looking at the skillsets we've got, because in different model shops we've got very different skillsets, from animation to some of the biggest steel-based models.

This gives you a little bit of a flavour of the kind of the stuff that we're producing now. You can see that it's really intricate, it's really detailed. A very passionate group of people, if you ever get a chance to go to one of these things that we're doing. Who knew that you could have a career as a master model builder, when you were five years old buying your first LEGO model set?

Then the other side of that is some of the innovation that we've been trying to do. So these have worked really well. We started to roll out interactive build tables, so you can actually look at the screen and it will show you how to do the individual models.

Then right at the other side, MAWD is the animal side – so Merlin Animal Welfare and Development. Primarily, their aim is the welfare and looking after the creatures, and just to understand that the welfare of the creatures comes before profit, because we'd never jeopardise that. But they're also heavily involved in research and development, new creatures that we'll bring in and use. They're heavily involved in the training across the world, and they set the standards really, so that from New Zealand all the way through to Blackpool, we've got a consistent standard in what we're doing. We're doing more and more on breeding, both in-house and in market. We've got people actually out in the Maldives at the moment, where we're involved in a programme to re-populate some of the artificial reefs. That's really good, because what that means is we're almost developing our own fish instead of taking fish out of the sea. I think we had our first king penguin birth, in Paris. I never thought I'd say that. So really, really important and really successful for us.

This is some of the theming. We don't do all our theming in-house because there are lots of really good theming companies out there and it wouldn't be economical for us to do it all in-house. But we had a really, really good theming unit that sets the standard for the world, that's based in the UK, called Studios North. It's based out of Alton Towers. Some of you may have been lucky enough to see Wicker Man at Alton Towers. So that was all built in-house. There's some of the other things there: Tiger Rock, in Chessington, on the bottom right-hand and top right-hand side, and then the Go Jetters BBC ride.

Then where they absolutely come into their own, and I think we are world-leading, is the quality of the accommodation that we do. So this is some of the themed accommodation that we got across the group at the moment that some of you will have seen and hopefully one or two of you will have invested some family time and gone to stay in one or two of these things at the same time. But heavily-themed, the stuff on the left-hand side is obviously the CBeebies hotel at Alton Towers and then on the right-hand side is the Gruffalo rooms that we've got at Chessington. So

really, really, really good quality and a real good way of us setting the standard of what we want across the world.

Delivering the Magic. So I've got a little bit of film here, just to show you how easy it is when we do some of the Delivering the Magic.

[Video played].

Who knew building rollercoasters could be so easy? That was going really well until someone decided that they wanted to keep the actual Wicker Man under wraps, so they said, 'Can you drop a big sheet over the top of it?' which when you've got something that's about 130ft high and 60ft across is no mean achievement. It also shows you the lovely Staffordshire weather, a bit of snow on the ground as we do it. But it's quite an important piece of filming. It kind of shows you all the way through, from when Paul's team have got it conceptually on a piece of paper, and it kind of underlines that if you're lucky enough to go up there and ride that, it's a mean piece of kit, and is doing really well for us. It's been very popular with the customers when they've been here.

Not so interested in the numbers here, it's just to show you the scale. We've got a lot going on in a lot of places and we're spending lot of money, and we've got a really good solid team across the world. We don't try and do everything from the UK. We make sure we've got the right people in the right places to deliver the right stuff. But as I said, that really is to show you some of the scale.

The next thing that I've got, I think, is a little bit about engineering. The big thing with engineering is we didn't previously have a big central engineering resource. Things were done within units. We've introduced, though – we have a very talented Engineering Director, called Dawn Elson, who has recruited a team now and we are rolling out a lot more stuff on standards and practices, and processes across the whole Group. Clearly, health and safety, as we know, is one of the most important things that we're absolutely dedicated to getting right, and we're just making sure now that there's more of a central resource to help us do that.

Probably one of the other – after health and safety – is guest experience. It is no good if we have got rides that aren't working. They are mechanical, they do break down – that's the nature of the beast, so we're just getting smarter and better on how we deal with that, and we've got a really good, talent group of people in the Centre that are dealing with it.

This really is a bit of the stuff that we've been doing this year, pictorially. It does run for about a minute. I'll just let you have a look at some of those things.

[Video played].

So that just shows you a little bit. All of those elements there probably cover all six pillars of the strategy that we've got, from the resort positioning side of things, into the new Midway side.

So a lot going on, a lot of really, really good stuff. I wish I could take you in a time machine around the world and show you the stuff instead of putting it on a few slides, but at the moment, until Paul's sorted that out, we're not able to do that.

So onto, I guess, the crux of today. I mean hopefully that gives you a little flavour of Merlin Magic Making. I'd be more than happy to spend hours with people, telling them more about it and showing them some more stuff if they wanted to do that. We move onto the new brands, and I guess one of the questions we get asked a lot is, 'Why new brands?' We've got lots of really good brands that you're all familiar with, aimed at different target markets. I think there's a couple of things. Obviously the big one is not to stand still. We still passionately believe in gateway cities, and we believe in the clustering strategy, and with some of the research we've done that's got us the Little Big City. So we think that fits in really, really well with that side of things. Pre-school families, we know has been really good. The stuff that we've done around the world, including the stuff with the BBC, has been really successful, and we've been working quite a long time on how we would enter that pre-school family market. Peppa Pig actually isn't the only brand that we've worked on, and I'm sure we can mention one or two of the others, but that's the one we settled on based on what we thought the brand could do. On a global level this was all about scalability and how we can get these things out across the world.

Then really, I guess, the millennial thrill-seekers. Those of you that have got teenage kids, I'm sure you have as many family arguments as I do trying to get them off their phone or their iPad. There's a real demand for this, and we'll look in a minute when we look at some of the market trends that we've seen, of how things are changing and how people want to be. We know they want to be more immersed. They don't want passive experiences. Nobody wants that anymore. They want individually-tailored experiences, and this really looks to all of that sort of thing.

The other thing this does for us – we talked before – there are not going to be – shock horror – 2,500 Madame Tussauds across the world. We don't think there's quite enough capacity for that, so we're looking for other things in a long time period that we could start to bring in and take over from some of those brands. Perhaps in 10, 20 years' time we've got more of a finite rollout capacity.

We're not finished with those, by the way. I can give you a whole other presentation on off-shoots of Madame Tussauds that we're working on at the moment, different ways of using Madame Tussauds as a brand. We opened one last year, in Nashville, which was more themed on music. So there are different ways that we might use that, but this is really about trying to get us a pipeline. You know, of all these brands that we put in front of you, it's almost inconceivable that every single one will work. The idea is to do enough of them and work with them good enough to make sure that we can have a good pipeline in the future.

This is how they kind of fit out. I thought this was quite useful, because the object of this slide really is to talk about opportunity, because a little bit in investment think size, and while we've got

more opportunities like this, it means that we have got more places that we can go into and roll things out. There's obviously more opportunities for Peppa Pig World of Play, at under £5 million in 1,500 square metres of space, than there is in LEGOLANDs everywhere across the world, which clearly need a little bit more space. So the idea here is to give us more optionality in what we're trying to invest in.

A tiny bit of the science, I wanted to tell you about. I've already said that we're absolutely engrained in the fact of doing these things through research, and then that starts right at the top. I think probably the best, for example, on this slide, if I pick some highlights. The first thing we do, we're obviously well aware of the global sector and what's going on, and we keep a quite tight rein on trying to understand what's happening with trends. So we know for a number of years now immersion has come out heavily as a trend. So it's about being deeper as an experience. Individuality is one, and if you look to something like Bear Grylls, where there's a base of the activities you do, but then you start to choose the bits that you want, so you build your own day. Within that sector review, I guess if we took Bear Grylls, we've got some evidence later –and we'll show you – that comes in some of the research just on the growth of those activity. You'll have seen trampoline parks. You'll have seen some of the big kids' activity parks. You will see massive growth in outdoor activity, massive growth in rock climbing. And it was all pointing us towards, when we're talking to people, that there's a big opportunity here that people are talking to, that there's a big opportunity here that people are jumping into. And people are, in this market thinking about the same things. If you went and googled these high-energy attractions, you will see people coming into there.

Then we would look about if we wanted to use an intellectual property over the top of that. Clearly, with LDC, we didn't. We've created our own, and that's important as well, because we don't want to put all our eggs in one basket with intellectual property. But on something like Peppa Pig – no secret – we were looking at a couple of big pre-school brands. There are other examples of pre-school IPs, although these tend to be more focussed on specific markets. For example, Sesame is a strong pre-school IP that works well in US, both at as a fully branded park and in-park features. Peppa Pig has global reach and is still growing in many markets, particularly places like China, as indicated by brand trackers like 'Kidzglobal'. So again, we approached eOne and we looked at how we might create something with them for the pre-school attraction market.

Then I talked a little bit over there to one or two people about how do we go along and create these things, because we don't just sit in a dark room and come up with the ideas. We use a lot of co-creation stuff. So with the Bear Grylls, Bear and his team have been heavily involved in it, have been really useful, very supportive. Again, you'll see, when Mike and Paul a little bit later, some of the things that have come out of there.

Then on the Peppa Pig World, which we've done a few times with things, we actually did some of the original concept work and then we went and researched it with families. But instead of just

doing questions we actually got them to give us lots of input and say, 'What do you like?'. One of the things that came out, again if you've got young children, is about interaction. So we've tried to do this a little bit, with interaction. Because when you go – some people – to the play areas, you put your kids in the play area and you go and have a coffee over here – and we were trying not to do that. We were trying to do this so that you actually took part in the activities with your kids. So that's been a core thing. And again that's just another one of those differentiators that we've got, that takes us out from just having play areas on their own. Then that's all backed up all the way through by research, where we keep going back, either qualitatively or quantitatively, to understand what are the bits that people like, and we'll develop those further. Then that goes into what I would call housekeeping. How much can we charge, how long were you going to stay, and all those things that just help us build up. That won't be new to some of you because it's the way we've done things for a long time. There's an awful lot of information behind all of this. We've only got a limited amount of time. We've put a little bit in some of the brand stuff so you can have a flavour of it, but I think that gives you a little idea.

So an example, again if you've not been around for a long time, in 2005 when we bought the LEGOLAND Parks, that's pretty much where we were. Today, that's where we are with the LEGOLAND. So there's a proven track record, if you want, of being able to exploit these brands and take them out across the world. And LEGOLAND Discovery Centres didn't exist. If you've got time this afternoon, pop over to Birmingham at the NIA [National Indoor Arena] and we'll get somebody to take you round there. We've got 20 of these things worldwide now and they're really successful. And that's as well as eight resorts at the moment, and then you've seen from the other presentations the rollout capacity of LEGOLAND as well. So, the opportunity, when you get the right IP to get the right product and roll it out is really live and we've got some really good examples of how we've done that before.

So, I can shut up in a minute, fortunately. So, this is what we're going to talk about today. Hopefully, we're going to give you a little bit of flavour about the brands, we're going to give you a little bit of flavour about what we have produced and what we're going to from a physical perspective, but I'd like to hand over to Paul and Mike, if I can, and they'll take you through that.

Mike Vallis – Divisional Director New Brands (Slide 31)

Thank you very much. So, I'm going to take you through the three brands – a little bit about why – and then Paul has the exciting job of telling you about the product that we've developed to a very good stage.

So, Peppa Pig: chances are, if you've got kids – particularly kids under 10 – you'll know what Peppa Pig is. If you don't have kids, or you don't have a TV or a tablet or a phone, then Peppa Pig is a 2D animation cartoon – award-winning, critically acclaimed – and she lives with her mum and dad, and George, and they undergo family adventures in everyday activities all the time. It

normally ends up with somebody jumping in muddy puddles and always ends up with the family falling around laughing and snorting with laughter at the end.

So, for us, it's a perfect fit for a pre-school attraction. It's got extremely high awareness and, as Mark said, is growing. When we did the very initial concept in the early research, it came back very strongly, and that only got better when we went to more concepts – a highly developed concept – and we've an intention to visit schools now that are comparable or better than LDCs in the regions we've researched.

It's very well licensed. They've really, really controlled the licence very well. It's in 60 territories and they've got over 800 licences. It's broadcast in 180 territories, in 40 different languages. I've listened to a few and it's quite amusing watching Peppa speak different languages. Retail-wise, they're now up to over £1 billion in sales globally.

In the markets we looked at – and they're all well inside the top 10 and, in fact, in 70% of the global markets, Peppa is in the top 10, and China now, it's moving right up into the top one or two in both boys' and girls' in the right markets. And it is everywhere: it's from Australia, Singapore, China, South Africa, Canada – it's round the world, and Al's got a map later on that he can show you.

Globally, there is a live show that has sold 1.6 million tickets. There's an app that has been downloaded 33 million times and, as I say, it's constantly growing but at the moment they're selling 50 million toys worldwide, so truly global, as Mark had said.

Brands-wise, it's all about family – and Mark touched on this. Peppa does stuff with her family. They go places all together; they laugh together; they play together. It has a very broad appeal – it appeals to both boys and girls. There are things for both of them in there. And just as importantly, there's a little bit of humour for mum and dad, for those who watch it. There's always a little recognition of Daddy Pig that my kids laugh at me about.

It's full of fun, full of humour. It's all about trust – trusting friends. But just as importantly, it's about life experiences. So, Peppa goes through things with her family that are experiences that other children have experienced or will experience. And Paul's going to take you through the product.

Paul Moreton – Group Creative Director (Slide 32)

Thanks, Mike. So, in a nutshell, what are we doing? Well, we're really creating Peppa's world. So, if you know Peppa, you'll know this really familiar; if you don't know Peppa, you'll think, 'What the hell's going on?' when you enter. So, the idea's really to spark the imagination of your little piggies as well as that real family interaction. We know how important togetherness is – families are not spending enough time together, particularly later in life, so this is a real opportunity to all get together and play and learn and develop.

So, not only have we got this fantastic IP, which is huge globally and the kids are instantly going to recognise and want to be part of, but we've also ensured that all the elements of play that we know are important for kids' development and for play are included, and we know that from our work with the LEGOLAND Discovery Centres and also from the huge amount of work that LEGO does. So, that will include physical play, creative play, sensory play, role, constructive, rule-based and social and family play, and I'll talk about a little bit of that in a minute.

The plan over there is a little bit better than this one but this is just to give you a sense of what we're talking about. So, it's about 1,100-1,500 square metres, so a third to half the size of a LEGOLAND Discovery Centre. It's going to be in the malls – the first one is in Shanghai later this year. It's a similar style to an LDC in that it's more hub-and-spoke – it's kind of free-flow – with the entrance right in the mall, and you walk through the entrance experience, which includes the kids getting on a static bus ride. They feel like they're going on a ride into the world of Peppa.

We have Danny Dog's Garage over here, where you can ride on a trike, and the trike will take you into a carwash – or a trike-wash.

Peppa's House, which I'll talk about in a minute – anybody who knows the show, Peppa's house is crucial and we know that's going to be one of the biggest things that the kids are going to want to do. Sensory play becomes really important – we've created a whole sensory garden and, in the sensory garden, you'll be able to smell flowers, you'll be able to collect the eggs from the chicken coop, you'll be able to feel different textures, you'll even be able to make a sunflower grow.

We've got muddy puddles – muddy puddles are key, as Mike said, to the whole IP. There's a whole muddy-puddle section; there's also muddy puddles dotted around the whole attraction. You can have a picnic next to the duck pond – and the ducks, again, a key part of the IP.

We've got Rebecca Rabbit's Underground Adventure, where you'll be able to experience what it's like to live as a rabbit, and I'll come on to that in a second. George's Dinosaur Discovery, which is much more for the really little ones, and that's enclosed, so the older kids don't disturb the really, really young ones. We have a theatre, which you'll be sitting on beanbags, so the kids can watch episodes of Peppa. A supermarket, with lots of role-play activities, so they can be on the till, they can be playing with things on the shelves.

And then, last but by no means least, Peppa's Tree House and George's Fort, which is just the real let-off-steam and running around and being crazy on a play-scape, which we know is inherently repeatable. Retail also themed as though it's part of the world, and then you leave.

So, I just wanted to go through just a couple of the areas – I haven't got all of them but this is roughly what the entrance is going to look like. So, as you can see from our logo, which is our special logo with Peppa Pig's World of Play, has to be part of the Peppa family, so it feels like it belongs to Peppa but getting our own true identity. The rainbow will become a key part of that

and will be on all of the entrances. We've created a muddy puddle right at the entrance, so everybody, even when they're walking past, can play in the muddy puddle.

This is the bus that I was talking about, so that sense that you're going on a journey. Kids are going to want to walk past that and be in the bus, because all of Peppa's friends are in there and have the photo op, which gives us an opportunity to sell a ticket. And then this is the retail.

So, Rebecca's Underground Adventure: I'm sure those of you know Rebecca and Richard live underground, because they're rabbits. So, this is where you'll be able to crawl through the parsnips and the potatoes that are growing underground, and then finally be able to come down the slide into the biggest muddy puddle of all.

This is Peppa's House. We took this shot from above because Peppa's House needs to be – everything needs to be at the right scale, so if we created a house that was the right scale, everything else, you wouldn't be able to get anybody in it, and we need to get the capacity in, so we're doing a bit of a Tardis trick in having the house at the front, as you see, and then, as you go in, it's much bigger behind the walls. The house will include two key rooms, which is the kitchen and the living room.

The kitchen includes the first time you meet a sculpture of Grandad Pig. It includes a dishwasher. We've got a lost-and-found game or, in effect, a treasure hunt throughout the whole attraction, which will change seasonally, and some of the key clues are in there. So, for instance, one of the clues is in the washing machine, and the kids have to turn the handle. They can play with the cooker, with the oven – they can even do recycling. We're trying to get them to save the planet from a very early age, and they take different items and recycle them in the rubbish bins.

And then, through into the living room: in the living room, there'll be episodes played on the TV, but also Peppa will appear in a video screen jumping up and down outside and encouraging kids to come outside and play with her.

And then, like I say, one of the last but not least, towards the end of the attraction, really, is Peppa's Treehouse and George's Fort – incredibly iconic elements from the show and just really great opportunities for kids to just play and let off steam.

So, that is Peppa Pig's World of Play in a nutshell.

Mike Vallis – Divisional Director New Brands (Slide 42)

And then we come on to Little Big City. So, as Mark had talked about, city centres have been fantastic for Merlin and continue to be, and certainly, in the long term, it's where we're going to go, so the thought of putting something else into the cluster is a very logical step. And where we've got to is that there are two elements that have gone into it. From what we know from our own brands – from the London Eye and from the Dungeons particularly – people love storytelling

and, particularly in the Dungeons, they love storytelling about the city they're in. So, if you're a tourist to London, they love to hear the stories of London, and that's the same in all of the cities around the world. And so, we know that people – tourists, domestic – love to be told a story and find out the history.

And the other side is, from the research and from competitor businesses and having a look out there, we know that, from a very early age, we're all fascinated with miniature. Everyone's come in and had a look at the model over there, and it probably triggered a little something from your youth, whether it's railway tracks or various models or whatever else you did as a kid, and that stays with you as you get older. And miniature also enables you, along with audio-visual techniques and technology, to really immerse you into a world that otherwise is far too big for you to see in one place.

So, what we've done is taken the story side from what we know from the London Eye and Dungeons, looked at the competitors, looked at how model worlds generally go, and some of these are very successful. There's a particular one, I'm told, in Miniatur Wunderland, near our attractions in Germany, and it does significant numbers – I mean big numbers for a Midway. So, marrying the two is perfect.

So, what we're doing is taking Little Big City in the middle. So, imagine you're ready for the best tour of all time. It's taking you to the history, the culture, how everyday lives through the centuries were in the city you're in, but also it's taking you to those iconic buildings, those moments in history like the burning of the Reichstag in Berlin. It's taking you to iconic times but also it introduces you to everyday features but also key characters, and you're able to interact with them in the attraction, and Paul will show you more of the detail.

Paul Moreton – Group Creative Director

So, this is our advertising for Berlin. Berlin, we opened last year and that will be two in Berlin. So, I think where we've got to with the advertising and what we've learned from Berlin is people love the special effects. So, they like the miniature but they love the special effects. So, it's a miniature world that, in effect, takes you through 750 years of Berlin, brought to life with special effects in miniature and miniature characters. You can see some of the characters over there. So, what we've tried to do and capture in the new advertising is this sense that, yes, it's miniature, it's full of special effects and you're going to be journeying through that 750 years, where you'll experience and be immersed in the story of the city.

What we've learned from the Beijing research, very clearly, is what's super-compelling for people is, 'I can experience 1,000 year of Beijing in one hour.' And where we are in Beijing, which I'll come on to, we're right next to Tiananmen Square – we literally are on the thoroughfare to Tiananmen Square and the Forbidden City – so the opportunity to come for an hour, experience, in effect, a show – a miniature show – and special effects that bring 1,000 years of the city to life,

in an hour I'll know the whole history. And trust me: Beijing's history is incredibly complicated, for those who haven't studied it, as I've discovered, so we feel like we're really getting into some of this. So, when we say 'Take the greatest tour of all time' you really are taking the greatest tour of all time. It's a big hairy claim but it's true, because we're taking you through 1,000 years of history.

So, this is a video of Berlin.

[Video played].

So, you can see clearly there we're taking old-fashioned model-making, techniques, model villages, the traditional stuff, adding all the figures, adding interactivity, and then adding special effects. So, it's all those elements combined to create something that doesn't exist anywhere else and it becomes a Little Big City brand.

So, over in Beijing, lots of lessons from Berlin which have all been incorporated into Little Big City Beijing. This is the latest poster for that and I'm told this says 'A Journey through 1,000 Years of Beijing's History in an Hour', and this says, 'Take the Greatest Tour of All Time' or the equivalent. So, again, really trying to capture this sense of 'This thing is alive and you're going to be really immersed in the story.'

The site is fantastic – it's two doors down from our Madame Tussauds and, like I say, on the thoroughfare to Tiananmen Square. We're over three storeys and we'll be able to have all these graphics all over it. We have a giant screen on the entrance which is showing a film similar to that but that's specific to Beijing, and we have whole models and live dragons moving around, again, in the window as you walk past and it has a huge passing traffic.

This is a model of the Temple of Heaven.

[Video played].

The Temple of Heaven is a really important ancient building, and what I'm showing here, really, is this thing is about this high, so this is how we've been using the projection mapping and the animation of the model to bring the story to life. And the story is the Emperor is the only person who can go in and, when he goes in, he gets the ray from god, as in 'You can never do that', so the idea is you're experiencing things that you'd never experience because they either don't exist or you wouldn't be able to do it. This is the model opening as well as being projected onto it.

[Video concludes].

So, the Temple of Heaven brought to life, and you see the Temple of Heaven now – it's just a temple. You don't see anything else to it, so the idea is you're bringing it to life.

So, this is just a cut-out of the space. You saw it from the front before. So, we'll be bringing people off into an intro show. The intro show – I'll talk a bit more about it in a moment but that's again a projection-mapped room with little characters that's telling you you're going to be transported back in time, and that we've shrunk the city for you because, by shrinking the city, you can experience more of it in that hour.

You then go through into the Hutong, so in the 1400s. You then come to the Great Wall and then you have this giant model across the three floors – the staircase goes down the three floors – and we have a giant model in the centre, which is the Great Wall. So, you come down the Great Wall. There's a battle on the Great Wall, which I'll talk about in a moment. You're then in the middle of the Forbidden City and then you're down into modern Tiananmen Square, where you see a military parade, and then you exit through the mouth of a dragon. And inside the dragon, it's a live projected map show. And then into simple retail and back out onto the street.

So, this is just an example of the intro show. The intro show, a little bit like on the Berlin film, when it's finished, there'll be a portal opening, it'll point to the portal. You're now going through the portal. You now will be in the 1400s. You've been taken from Beijing today. The portal opens and you'll have the vista out into the Hutongs.

As you're out into the Hutongs, this is the view, pretty much, you'll see. So, these are all the fantastic models with the little characters, all about their life, with lots of very intricate scenes. So, you'll be able to really delve in and explore. You also have a pop-up, so you'll be able to pop up into the middle of this and, again, see different things. And then the projection mapping and the special effects is then overlaid onto this. So, all across this wall, you'll see Genghis Khan and his troops marching into the city, where they take over Beijing. And on the wall, you'll see the legend of Nian, which is a dragon which is the start of all the New Year. And he comes down from the mountains and he'll be on the wall, and then he comes into the models and you see him in the models, and you have to scare him away by making lots of noise, which you can do as part of the interactive.

You come back down, then, into the second floor, and this is the attack on the Great Wall, so we've gone forward in history, and this is where the Chinese have taken back the city, but now there's another attack on the wall. This again is a mapped interactive, so you can fire – I was going to say cannons – I'm not sure it was cannons but, anyway, you can fire things at the city, and then you see the wall explode and you see parts of the bricks falling down.

And then into the Forbidden City. The Forbidden City, at the moment, as those who've visited, there's not really much there. It's just the Forbidden City. It's not alive, so we're going to recreate what it was like on the first day it was ever opened and the Emperor opened it. So, it's the ceremony of the grand opening, so it will be our figures which will all be animated and moving, as well as all projection mapping on all of the walls, which is all the celebration and the fun of that

first day of opening, which, again, you will never see that – you'd never see the opening of the Forbidden City alive

And then we're onto our third brand.

Mike Vallis – Divisional Director New Brands (Slide 58)

And this is what you're going to see today: the construction of the Bear Grylls Adventure and the home of Earth's greatest challenges. It's probably fair to say those with kids are a little bit concerned as we go into the future with the digital state of the world, that kids are – certainly my kids, trying to get them off their PlayStation and computers is a real struggle. But what's really strongly emerging now is an antidote to that, which is really good news: that people want to get out, they want to get active, they want to be doing something actively, be challenged, mentally and physically, and we're going to give them that. And what we've done is found the perfect host to give this adventure to people.

So, as I said, sports-equipment sales up – and this is annual figures – '16-17, 39% up; climbing clubs 30% up; mountaineering membership up 18%. And these are all activities that are growing very, very quickly. What we're going to do is take all of these great activities and put them into one place in the city centre, so that it makes it much more accessible to people, so bringing it to the people more.

So, we're going to create a massively fun environment. We pride ourselves on making immersive, well-themed environments, and you'll see the start of that is a bit of concrete at the moment, but you'll see where we're going to get to. And then what we're going to do is challenge people with physical experiences, mental/creative experiences, to really push themselves.

And who better to host it? He is absolutely the number one global adventure icon. He's climbed Everest, he's trained by the SAS, he's taken Obama in the wild, which got over a billion views on TV and social media, he's sold 4.5 million books and just has a huge social-media following. We'll get on to TV in a minute but clearly he has a TV reach that is phenomenal for us, and global, but the most important thing on here is, when we tested the product – and we tested the product in isolation, without him – a large proportion of people we talked to almost came up with, 'This would be ideal for Bear Grylls.' And of course, when we started introducing that in, he had the highest awareness and appeal by far, by a mile, so he's absolutely the top man to have doing this.

So, in terms of the TV, on NBC in the States and has 60 million-plus viewership. In China, it's a massive number – this is a big country but he's on the state TV, CCTV, in China. And he's on Discovery Channel, which rolls his shows and has been for years and will continue to do so, so he has a truly global TV viewing audience.

[Video played].

So, as I said, we are going to create an amazing environment. We're going to bring all of these activities together and, within that, there'll be something that will challenge everyone. Whether you're fit, unfit, whatever age you are, whatever scares you, there'll be something that will challenge you, whether it's height, darkness, escaping from a room, animals – anything. Anything that will challenge you physically, mentally, we're going to put in there to really, really challenge every individual and try and tap into that market growth that we've seen.

So, this is very much targeted at – it's more about an attitude than anything but it's targeted at 18-year-olds because we know, particularly from our coasters in theme parks, we communicate to an 18-year-old and it becomes very aspirational for the younger teens, and they'll come and they'll bring the up-for-it families for it. So, by targeting the 18-to-24-year-olds, that gives credibility to the whole target market, and that's the way we'll be communicating it.

So, then, someone asked me this earlier: why the NEC? Well, I think most of you will have come by train today and realised it's about an hour on a very comfortable train. In terms of transport hubs and communications here, it's fantastic: you've got four motorways within five minutes. You've got the railway. You're very close to Birmingham city centre. You've got 22 million people within two hours' drive time. You've got a very high index of 16 to 24 year olds and a lot of universities around here, so it's the perfect place. When you go out there, you'll see it's developing into a really nice destination in itself.

And then the product. Imagine epic, because Paul's going to take you through it.

Paul Moreton – Group Creative Director

So, this is really creating a giant themed world, which is the home of Earth's greatest challenges. That's our big brand claim and that's what we're going to deliver. So, it is mental and physical challenges brought together into one incredible location, and this is all about testing yourself as well as others, and testing your own limits and exceeding your own limits. So, let's see what Bear thinks of it.

[Video played].

So, fortunately, because it's not all built, we won't make you do all of that later, but when you visit later in the year, this is what you'll see when it's totally finished. So, you can see from the model over there, we're going to talk in through this way. This is our arch. On the right-hand side, we've got our high ropes, which are the highest high ropes in Europe. We're building a giant Chinook helicopter right on the front building, and people will be zip-wiring from the giant helicopter into the high ropes. So, that will be our key entrance, and then you'll be walking through rock faces, which gives that a real sense of a grand entrance. You'll see right in front of you our plane, which is there today, which has crashed into a tree.

On the left-hand side, you'll see the iFLY, and the iFLY includes being outside. We then build in a full ocean tank, which is our dive, where you're going to be diving with the sharks. We've got our escape rooms, which is all about breaking out. We've got an assault course at the top there. We've got the mountains that we're building to be themed like some of Earth's greatest summits. And then we've got our archery and shooting over in the top right-hand corner, and then down here is our Fears Maze.

So, we'll just delve into those a little bit more. So, Base Camp: £25, four activities, and those four activities include a digital photo, so it's really great value. And we're saying this is almost like you're training but you don't have to do this before the others, but it's kind of like almost your training for the big headline activities. So, if we break those down, Breakout: this is all about – those who've been to escape rooms, escape rooms are a really big thing at the moment, and this is really all about solving puzzles and working together as a team. If you don't work together as a team, you won't get out, and so you'll be stuck in there all day. But the idea is mental challenges – can you solve the puzzles – and then break out and, ultimately, because it's Bear Grylls Adventure – you don't just break out, you slide down a slide to get out.

We've then got archery. This is all about focus and precision and concentration and: can you be your own target but also can you be better than Bear and your other colleagues?

Assault course: this is a pretty full-on assault course, so you'll be scrambling over things, you'll be hanging from ropes, you'll be scrambling under nets, you'll be jumping over walls, and again this is about your own personal limit. Some of us in the room might think we can do this super-quick; some might not want to care about beating everybody else. It's just about: can you do it? And all the time, on all of these, we'll have how Bear did, so you'll be able to challenge Bear and see whether you can beat Bear's time on all of them.

And then this, which you're not going to get me in when it's finished, is the Scare Maze. So, this is really all about fear and you challenging your fear and hitting your fear head-on. So, as the walls are closing in on you, can you keep going when it feels claustrophobic? As the lights go out and there's total pitch-blackness, can you carry on going? And as Bear says in the quote when you're preparing for this, the way to challenge your fears is just to go right through the middle of them. How many of us are brave enough to do that when we do it?

So, those are our base camp activities, which everybody will do, and then we've got our four real headlines: so, you're climbing, you're flying, you're diving and you're doing the high ropes. And again, we'll see a lot of this in its mid-construction when we're in the site later. So, on Climb, we didn't want to just have any old climbing rock face; we wanted to create some of Earth's greatest challenges. So, one of Earth's greatest challenges is bouldering around Fontainebleau in France, so we're recreating that. And one of the ultimate for the climbers amongst you is the summit of El Capitan in the Yosemite, so, again, we're recreating the summit of the Yosemite.

All the time, we'll have our professional guides who are there to help you. They're always there. They're always encouraging. This attraction is all about that: it's all about encouraging and you trying to do better and better. It's not a military camp. And again, the theming will be important to us there, that it feels really like you are in these places.

iFLY: we know iFLY is hugely successful in all the locations they are around the world. We've got our own iFLY and you'll see the scale of it outside and these enormous fans that are keeping you, basically, floating in air without a parachute, and you get that sense as though you've just jumped out of a plane. So, in the whole pre-briefing, it will be themed as though you're in a plane and you're then about to jump out. And all the time, you'll have our guide with you, who's, again, encouraging you, teaching you how to do it, and maybe encouraging you to go even higher.

This is something that's really special and that very few other places could do, which is creating a proper ocean – we're, in effect, creating the Pacific and a shipwreck in the Pacific. And we'll be able to walk through this – there's no water in it but we'll be able to walk through it later. So, that will give you both an opportunity to snorkel but also to dive and walk through with all the real sharks and real rays swimming around you and, ultimately, go through the mouth of the megalodon dinosaur. Again, this is the view as well that you're seeing, which becomes really important for us in terms of when we're selling the product. These real, compelling visual shots are the ones that are going to make people want to come, and they're so different.

And then the high ropes: so, as I was saying, you're going to jump out, which you see on the model there. You're going to zip-wire out of a Chinook – again, where can you zip-wire out of a Chinook? So, you zip-wire out of the Chinook into the high ropes. The high ropes is five storeys or five levels. 36 different types of challenges. For those who've done Go Ape, it's pretty full-on, and this is going to be much more full-on than that. And then, with the final Leap of Faith, are we calling it? The Leap of Faith at the end, where you can jump off from the top of the five storeys. So, again, something really special. This has been a very exciting project to work on, so it's really good to show you all today.

And then, just finally on the restaurant, we just touched on it. So, the restaurant and the shop are also going to be very in keeping with the brand. So, in the F&B, we will be selling pizzas with crickets on it, scorpion salads, even tarantula pizza. So, you're lucky that we didn't bring any in today. And then the retail: we'll have a Land Rover around in the middle of it and you'll be able to buy several of the things that you're getting for free today on your tables. So, it runs all the way through the attraction.

These are some shots from a few weeks ago, and it's much more developed than this. So, this shows how the entrance that you'll be coming through comes through a stone arch, and this is where our Chinook is built right into the building, and you'll be zip-wiring out of that. The plane that I talked about that has crashed, which is the first thing you see as you enter. This is the assault course under construction. This is the view from the entrance. That's the ocean tank

there, with the view through, and that's the iFLY, which has now got more cladding on it, which you'll see, and I think it's got the fans installed. Again, that's where you'll be flying – that's the tunnel.

And just to end, really, you can read this in your pack but there's a really nice quote from Bear. We co-created this with Bear and his team. It's been very close, which means we are getting all of his experience and expertise as well as ours in terms of knowing how to build and make an attraction fantastic, so really the combined should mean we've created something really special. As he says, 'This is truly mind-blowing and allows millions of others to find the courage and tenacity to conquer their own Everest', which sums up what the product is all about.

That's Bear Grylls Adventure. Now over to Al, who's going to talk about the rollout of new brands.

Alistair Windybank – MMM Senior Finance Director (Slide 88)

Thanks very much, Paul. Thanks, Mike. I have the pleasure of knowing many of you – for a number of years, in a few cases – but for those of you who don't know me, my name's Alistair Windybank, as Mark said at the intro. I've been with Merlin now for the best part of 10 years – it will be 10 years later on this year. So, I joined in Corporate Finance. I was Head of Corporate Finance from 2010. I then led the IPO project in 2013 and took the IR role at that stage, broadened that out into Corporate Affairs with James at the back, who many of you might know, and then moved across – I don't know whether it was the dark side or a cross into the light – it depends on who you talk to – but I moved across to MMM at the end of 2016.

So, this now is about 18 months in and I am primarily responsible, along with the SLT – the senior leadership team – in MMM for what we do from a development perspective. I also look after the financial stewardship of the department – so, of our team – but also, more broadly, the financial stewardship of Merlin's investment programme, which includes Midway rollout, it includes acquisitions, and hotels etc. So, the whole piece, apart from LEGOLAND Parks, which sits separately.

So, what I'm going to talk about today is to just – well, the brief from Mark was to bring this to life in numbers, and I'm not quite sure I've hit the mark exactly. I certainly don't have the compelling visuals that some of my colleagues do but what I'll be looking to do is to relatively briefly – we don't know a huge amount, so there are not a lot of facts at this stage. What there are, are we've built up a lot of expectations on how these brands will perform and what the rollout potentially should be, if they're successful. So, what I'll take you through is where our thinking is, what that looks like, and hopefully I'm sure that will form the basis of some of the questions at the end.

So, the three main areas: what does the financial model look like for each one, what's our current expectations, what's the rollout potential, and then what's the decision – how are we going to make a decision? What are the success criteria for each of these brands?

So, I'll start with Peppa Pig. So, the eOne licence, we signed in 2017. This gives us near-global exclusivity for all of Location Based Entertainment [LBE], and that's an important point. This is not just a format; this is all of LBE and accommodation. The initial exclusivity period is for five years and then we get extensions beyond that. The limitations of the exclusivity are the licence has already been granted in the UK, so that's excluded. In Italy, we are non-exclusive currently but become exclusive next year. And then, in China, we have the rights to roll out but on a non-exclusive basis, but what we do get is we get local exclusivity where we open an attraction. So, the incredible focus for us is on in-park lands and on this World of Play format, which is what I'll be talking about in a minute.

The royalty is dependent on the format, so there's not a stock approach to this. But for standalone attractions, it's based on a percentage of revenue. There are, as you would expect, the typical protections and termination rights; primarily, to give enough control to the IP owner so that they're happy with what we're doing with their brand.

So, just focusing on the World of Play format, this is essentially a small format, pre-school, immersive, themed attraction. And as such, I think, as Paul said earlier, we expect this – and what we're building currently – to be about one-third to half the size of a typical LDC. Now, as such, we think it'll cost around £2.5-3 million and, for that, we believe we should be able to deliver around 140,000-200,000 visits a year at an average total RPC of around £11. Now, that £11 is primarily admissions. There'll be a bit of retail and a very, very small amount of F&B. Now, the visitation that we're expecting is about a half to two-thirds of a typical LDC. So, as you can see, if the size is one-third to a half, and the visitation is a half to two-thirds, we need to be able to deliver asset utilisation with this brand than we do with our LDC product, and that's one of the challenges. But we're confident we can do that because of the lower price point and the hopefully higher repeat visitation that we'll get with this brand.

We believe that the concept, once settled down, should deliver to our 14% IRR corporate hurdle and, given the brand's appeal and its resident market, we expect the trajectory of performance – it should open relatively strongly, so a relatively mild champagne effect at the outset, and then to settle down after that, although I'm sure we'll find out in the fullness of time.

So, the next three slides essentially cover how we think about what the market potential is for this brand. So, the starting point for this is the brand itself. For us to deliver the volume and the RPC expectations that we have, we need to be putting these, we believe, at this stage, where the brand is strongest. So, we've done our assessment of the brand data that we have for Peppa Pig across the world, and what we believe is this indicates that there are three main areas where we should be focusing on. So, this is China, where the brand, certainly over the last 18 months, has

accelerated very, very rapidly in terms of its awareness. So, China, parts of North and South America, parts of Western Europe, and Australia/New Zealand. China, in the last 18 months, has gone from being outside the top 10 in the core pre-school demographics that we look at to being number one in three out of the four categories that we consider, so that's a really rapid acceleration in penetration.

So what are the success criteria? Well, unsurprisingly there are three main elements. Does the guest like it? Is the IP happy – so have we satisfied all of their criteria? And do the numbers stack up? Does it actually make sense financially and are we getting the returns? So we need to build high-quality, immersive attraction for a budget that allows the numbers to work.

Fundamental to this is the volumes and the RPC. We need to be able deliver those in line with, or equivalent to, our initial expectations, which I ran through originally. So it's not vital that we hit them all exactly; it could be a different mix. But primarily it has to drive enough revenue over that cost base. One of the other challenges for us is that we can operate this efficiently. The smaller format brings its own challenges, and therefore we need to make sure that at that size, we can actually deliver the EBITDA margins that make the returns work overall.

So there is very little known at the moment, this is about our expectation, and there are lots of things which we've still got to challenge ourselves to deliver, but the primary commercial risks at this stage: first of all, does the product and the IP support the premium price that we believe we need to charge for this attraction? And secondly, does the demand and the profile of demand allow us to deliver the utilisation of the asset? Which is one of the key challenges.

Onto, I guess, the other end of the spectrum from Peppa Pig to Bear Grylls Adventure. The license that we have with Bear Grylls was signed back in 2016. It gives us exclusivity for the Bear Grylls Adventure format, so it is a single format, out to 2026, subject to continued rollout. Beyond that, we can then extend the exclusivity for another 10 years for each four attractions that we open. So the first four attractions that we open, they should deliver the exclusivity out to 2036. It's not dissimilar to how we have the LCA structured for the LEGO license. It's a revenue-based royalty, but there are a degree of performance measures in there so that we're aligned with Bear in terms of what we're trying to do with this attraction overall, and as we said with the eOne license for Peppa, appropriate protection and termination rights for Bear Grylls to ensure that he is comfortable with how we are using his brand.

As we will see when we tour round, this is at the other end of the scale in terms of our typical Midway attraction, so it is about 8-10,000 square metres. That's around three times the size of a typical LDC. Given the scale of this and the nature of the concept, we believe this will be more of a destination in itself than our typical Midway brand; therefore people will travel to do this, as opposed to travelling to a location and doing it while they're there. Therefore the absolute location itself and micro-location of the attraction is less critical than it is with some of the other brands. But what we do need is good transport links and easy access. Hopefully that's what you

saw in arriving at the NEC today. What we'd ideally like, though is if we can put them in destinations that are attractive more broadly to their target market, that should also support visitation overall.

The attraction costs will vary depending on the location. They'll depend varying on the building that we're in. We're very, very dependent to get the space we need to be able to build that out to create the attraction. And it will depend, to an extent, on what content we put in as we build the rollout. But we believe at the moment that the average price will be around £20 million to deliver this 8-10,000 square metre attraction.

We believe that that should deliver 350-450,000 visits a year, and an average total RPC of around £25-30. That RPC is made up of, as was discussed earlier, the base camp entry and then a penetration of the hero activity upsells together with a degree of F&B and of retail. At settle down, once the attraction is open, we're confident – given a degree of efficient operation – that we can hit the margins that, again, should deliver a concept in line with our 14% IRR capital return hurdle.

Now, the opening profile for this is more difficult to assess. It's primarily a resident market brand. We've got a great IP. We've got a really strong concept, which should all be indicators of it opening strongly. However, we have to drive people to the destination. So we have to get people here, therefore it's vital that we get the marketing right, the PR right. The brand will help, but there's less certainty of that from the outset than there is when you're opening an attraction into a high-footfall location.

We've also got a higher price point. Not for the base camp, but certainly for the hero upsells. So at the moment everything should suggest it should open relatively strongly, but we are relatively cautious about the first one opening here, and so we'll have to see how that operates in practice.

The rollout of Bear Gryll's Adventure essentially follows the same criteria as for Peppa. So where is the brand strong, and where do we have adequate density of population to give us a good chance of making this work? If we get the concept right, we're looking for locations with brand awareness and with enough people to potentially make it work.

This is the slide from earlier around where we are geographically in terms of views. What we know is that Bear is global. 32 countries, 400 million views, but fundamentally where there is, if you like, depth and longevity of the brand is where we've had the TV series. I guess the two main TV series, which is *Man vs. Wild*, which is the NBC product which has run for five years, seven series already, and is very, very big in the three key markets of the US, UK and China. And then *Running Wild with Bear Grylls*, which is where he spends two days on a wilderness trip with celebrities, Barack Obama, Kate Winslet, Zac Efron – my personal favourite – Mel B, for example. And here, again, NBC and the Discovery Channel, which takes it globally, but again very, very big in those three key markets.

So when we take those three and we look at where we think we've got adequate density of population to make this work, it essentially takes us to over 20 potential markets, primarily in the US and in China, with our initial focus here in Birmingham in the UK for number one. Now, what this does is it possibly understate the true market potential of this brand. So once we've opened it and we understand what the penetration is and how it works, and how many guests we need, and what the upsell is, it may well be that we can open to many, many smaller markets where the brand is also strong. Australia and New Zealand is a great example of that. It probably should work in Sydney. It's not on the map, because at the moment we don't know how well this is going to penetrate.

It's also true that with the scale of this particular attraction and with the IP that actually there's a much better chance than with many of our brands in getting developer and landlord subsidy. With that, we potentially open up many, many more smaller markets as well. So we're confident that if the concept works there is at least 20, but the actual opportunity could be well in excess of that.

I'll say this three times, so for each of these brands: if we get the experience right for the guest, if we keep the IP owner happy and they support the rollout, and if we can get the volumes and the spends right, and we can build it for a sensible budget, we should be able to deliver an attraction that meets and exceeds our 14% IRR hurdle rate. At this stage, the primary commercial risks are around the IP and the concept, and the marketing, and the PR driving the visitation to the destination. So if people don't come, we're not going to get them through the door. So that's one of the key things.

The next is our ability to upsell the four core hero activities. So we need to be able to penetrate the people who are coming in, to upsell them to these activities, which will be vital to achieving our revenue overall.

And then the third point is that the profile of demand is such that we can get adequate utilisation. We could be absolutely rammed for Saturdays and Sundays, but fundamentally we need to be able to drive enough volume over a broader period, because there are – there will be a capacity limit, given the nature of this attraction.

So then, and finally, to the third brand, Little Big City. Small-format, tourist-focused city centre attraction, as we've said. So our expectation is that this will be, and the ones we've built so far, around 1,200 to 1,500 square metres. Because of the nature of it and because of the engagement that we need to drive, there's a lot of very high-quality interactive and product elements within this. Despite that, we are confident and we have so far, in Berlin, built this for around £5.5 to 6.5 million. And for that, we're looking to drive 350,000 to 450,000 visits, and a total RPC of around £9. And that is primarily the gate price, with a very small amount of retail and no F&B. At that, we are confident if we deliver the visitation and the RPC that the concept should ensure adequate margins to drive a 14% IRR return overall.

Now, as with all tourist brands, so our experience in operating Dungeons and Madame Tussauds, we believe that the profile of these will be such that they will open slowly. They'll then penetrate the tourist market and the day-trip market, and then once they hit that point they should hopefully grow with the tourist market in that destination. That's the model that we see through the brands we currently operate. And that's what we expected to see with Little Big City, and it's what we're seeing so far in Berlin.

If we look at the market potential, the key thing here is we need adequately large tourist and day-trip markets, which the day-trip market is essentially resident within two hours. However, it's not quite that straightforward, because for the LBC, Little Big City, concept to work we also need adequate history and architectural heritage within the markets to be able to build the attraction itself. Please don't – this is a subjective view, please don't be offended if there is not a flag on your hometown. It's not there's anything fundamentally wrong with it, but we have made a subjective assessment at the moment of where we find – or where we think we get the marriage of market size and this history and cultural heritage. And what that throws out is we believe there are over 30 potential locations for this brand around the world. Now, for us, the idea is that we drop these into existing clusters. So around half of those are in existing or future Merlin clusters.

The success criteria for Little Big City: now we have some more data points here than we have for the others, because we already have an attraction open. Can we build it for the money? Absolutely. We're confident that what we've delivered in Berlin and what we will deliver in Beijing will tick that box. The initial guest feedback that we've got has been positive. The key KPI scores that we look at are really encouraging that this will be a successful brand. The volumes and the RPCs, it has opened as we would have expected, in terms of – look, it's taken time to build in that market, but so far so good. And given the volumes that we have and what we expect the attraction to do, we're confident that we can operate this at a level that will drive the margin at the point to be able to get the returns.

What are we concerned about at this stage? What do we think are the primary residual commercial risks, given where we are? Well, the first is that we actually do get that interaction with the guest. We've put so much time and effort into telling the story, building the interactives, creating this miniature world for people to immerse themselves in, but if you don't immerse yourself in it, actually it doesn't deliver the guest satisfaction that we would have wanted. It's vital that we get the product right and we deliver that in a way that allows the guest to engage and get adequate dwell to drive the guest satisfaction. We've reacted to some of the feedback we've already had in Berlin, and addressed some of the issues. It's still in development, but we are confident that we're getting that right. The second is, I said, that it essentially matures in this tourist and day-trip market to the point where we get the visitation that will sustain the returns overall.

I guess the last two key summary slides, so where are we rolling out this first wave, the pilots of each of these brands? In terms of Little Big City, two locations: Berlin we opened July last year, Beijing will open later this year; Bear Grylls adventure, here in Birmingham, which will open later this year, and; then five Peppa Pig World of Play. The first one of those is in Shanghai, which will open later this year; later for Beijing, and then three in North America. So three in the US, in Dallas Fort Worth, Michigan and in New Jersey, so just outside New York. That's the initial wave that we will use to assess how successful these brands are.

So just to summarise, with the new brands what we're looking to do is essentially create a number of attractions that can tap into different demographics. In the case of LBC, it's city centre tourism. For Bear Grylls it's the teenage/young adult, up-for-it families market. And pre-school for Peppa Pig. The concepts, we believe, will deliver to our return hurdle. We're going to take a year to two years to assess how well these perform and make a decision on the rollout, but if they are successful not only does this give us a much more strengthened brand offering, both to the consumer but also to our development partners, the landlords and developers that we work with. But it also gives us significant additional rollout potential for the group.

So with that, I think I'm handing back to Mr Fisher.

Mark Fisher – Chief Development Officer (Slide 106)

Yes, I think so. Thanks, Al.

Okay, we're on the home straight. Just a bit of a summary, really on what we've tried to do today. It is, I guess, quite important for us about Merlin Magic Making for people to understand what it does and what it creates, and what it gives to the business. I said to you already, it's unique. There's nobody else anywhere in our industry or anywhere else that's doing the same sort of things that we're doing. The experience that we've got and the team we've got, in the right jurisdictions, is a really, really big plus for us around the world.

Obviously with the scale of everything that we're doing you can see that we've got the ability to take on an awful lot and deliver it, but probably the most important thing we've got, both internally and externally as a partner, is that both IPs which are increasingly important can trust what we're doing. But internally, those of you who've been inside businesses, it's important to trust the people you're working with as well when we're asked to do stuff. So hopefully we've demonstrated that.

And then on the new brands, I've already said it's about creating more opportunity and the diversity we've got. It's about sharing a little bit more about those partnerships with intellectual properties that we're building on from the successes we've got before. Early results on Little Big City, we're pleased with. I could tell you when I went in there, we've already been in and changed a couple of things to help dwell time. Again, it's almost inconceivable on these things that you'll start off at a perfect model off the bat. The good thing is that we assess them relatively quickly.

We take the feedback relatively quickly. And we've managed to tweak things when we've needed to. And we are confident. I think Al said it, we're naturally a little bit nervous when we do these things, but we are confident. We've done an awful lot of work that shows the potential of what we can do.

So with that, thank you for your attention. I think we kept most of it for a little while. I think we would like to go onto Q&A.