Opportunity Statement

VISION:

Tivoli to become Denmark’s leading entertainment provider and event managing institution by offering a superior customer value proposition through capitalization on brand equity and real estate assets resulting in high and stable revenue streams.

Starting today:
- Repositioning Concert Hall

Optimize the existing Edge Project

Stable and sustainable revenues from all year business through diversified revenue streams

NPV DKK 574.4 million
Business Model

**Key Resources**
- Land and location
- Facilities
- Brand name

**Customer Value Proposition**
Tivoli experience for everybody
- Heritage & national identity
- Wide selection of seasonal activities

**Key Profit Drivers**
- Number of visitors
- Capacity utilization
- Loyalty

**Key Processes**
- Real estate development
- Flexible staffing policies
- Superior customer encounter
- Contractual partnerships
**Situation Analysis**

**Strengths**
- Operations & resources
- Superior brand stair
- Constant reinvention
- Cultural heritage

**Weaknesses**
- Seasonal revenue flow
- Insufficient asset & resource utilization

**Opportunities**
- Brand extension
- Real estate development
- Sufficient project financing

**Threats**
- Public resistance to change
- Legal obstacles
Problem Identification

Challenges
- Inconsistent revenue streams
- Under-utilization of assets

Strategic Objectives
- Year-round business
- Maximization of ROA

Recommendation
- Tivoli Edge project

Project Kick-off
- NOW

Opportunity Statement
- 2014

Situational Analysis
- Under-utilization of assets

Alternatives

Decision Criteria

Implementation

Financial Analysis

Final Proposition

Q&A
Alternatives

4th Season

Concert Hall development

Strategic Objectives

Year-round business

Maximization of ROA
Alternative 1: 4th Season

Carnival Week

Time
- 7th week of the year
- Fastelavn – winter break

Target customer
- Families with children

Program
- Costume parties, games
- Emphasis on children
Alternatives

Strategic Objectives

- Year-round business
- Maximization of ROA

4th Season

Concert Hall development
Alternative 2: Concert Hall Development

Tivoli on Stage

Time
- All-year long
- Utilize full capacity of Concert Hall

Target customer
- Cultural experience seekers
- Families with children
- International guests

Program
- Musicals
- Circus
- Theatrical performances

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
## Evaluation

<table>
<thead>
<tr>
<th>Decision criterion</th>
<th>Weight</th>
<th>Tivoli - on- Stage</th>
<th>Carnival Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>30%</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Stability of revenue streams</td>
<td>25%</td>
<td>9</td>
<td>2</td>
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<tr>
<td>Occupancy</td>
<td>20%</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Heritage preservation</td>
<td>15%</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Business model fit</td>
<td>10%</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td><strong>8.45</strong></td>
<td><strong>5.25</strong></td>
</tr>
</tbody>
</table>
Current State

Concert Hall

- Seats available: 1,650
- Number of shows in 2008: 65
- 4% growth in occupancy rate
- No branded business
- Lost value if seen as just a part of Tivoli Garden

TIVOLI

on Stage

- New multifunctional entertainment hall
- Invest in refurbishment to attract top class entertainment
- Establish as known brand
- Increase number of shows and the occupancy rate significantly

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
Market Potential

Analysis of the entertainment market potential in Copenhagen

- Classical Music
- Musical
- Circus
- Rock Music
- Mainstream

Market Penetration Rate

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
Strategic Fit

Operations

Feasibility

• Mutual underutilization regarding seasonality
• Memorable experience
• Appeals to preservers

Circus

• Low number of musicals in Copenhagen
• Renown musicals match Tivoli brand
• Appeal to progressives

Musicals

Targeted Segments

• Families
• All age groups
• International guests/tourists

• Couples 20+
• Geographic: Copenhagen, Malmo, greater Denmark
• (international) weekend tourists

Operationalization

• Host 3 – 4 weeks
• Dynamic Pricing
• Approx. 10 shows
• Requires flexibility in stage design

• Host each 6 – 8 weeks
• Dynamic Pricing
• Approx. 10 shows
• Requires flexibility in stage design
• Investment into accustic
### Strategic Fit

- **January**
- **February**
- **March**
- **April**
- **May**
- **June**
- **July**
- **August**
- **September**
- **October**
- **November**
- **December**

#### Example of a all year program

- Constant revenue streams throughout the whole year
- Smoothens the dependency on seasonality
- Further enhances brand equity
Online Marketing

• Set-up a homepage www.tivolionstage.dk
• www.tivolio.dk
• Program information
• Direct online booking

Promotion at Tivoli

• 4 million guests every year
• 300,000 seasonal pass guests
• Flyer and program information

Advertisement and Co-operation

• Newspapers
• Magazines
• Online event platforms
Implementation

Distribution

Homepage
- www.tivolionstage.dk
- www.tivoli.dk
- Most profitable as no commission is required
- Direct online booking

Online ticket distribution platforms
- Access to new customers through the online booking platforms

Cross-selling
- Different ticket combinations possible:
  - Musical tickets + Park entrance
  - Musical tickets + Park + Rides etc.
- Hotels can offer weekend specials
  - Musical tickets + 1 night in a double room

Opportunity Statement
Situational Analysis
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Implementation
Financial Analysis
Final Proposition
Q&A
Apply dynamic pricing

• Categories A – D and disabled

• Weekend & weekday differentials

• Different price levels for Circus; Type A, Type B musicals

Achieve

• Average occupancy of 82%

• 8 weekly performances

• Admission for garden included in ticket
Inconsistent revenue streams

Under-utilization of assets

Year-round business

Maximization of ROA

Edge project

NOW

2014
Looking into the Future: Tivoli Edge

Strategic Objectives
- Year-round business
- Maximization of ROA

Current underutilization of South-East side

Implementation of the Edge – but modified
- Concept Stores
- Hotel Tivoli-Inn
- Special shopping experience
- 4-star hotel with 60 rooms

Increase presence in the tourism value chain
- Leverage NIMB experience
- Collaboration with Tivoli Garden’s restaurants

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
Leverage on Brand Equity

Strong competition in Copenhagen hotel industry

Tivoli offers unique and unmatched attribute in CVP

Customer Value Proposition

Central location

Attached amusement park

Guest’s stake in Tivoli

Opportunity Statement
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Q&A
Leverage on Brand Equity

Guest’s Stake in Tivoli

- History and Culture
- Value Association
- Personal Identification
- Emotional Attachment

Brand development
Higher Profit

Extend Competitive Advantage to Hospitality

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
Benefits of the Tivoli-Inn

ROA Maximization
Real estate development

Cross-Selling
Attraction of new customers

All-year Business
Consistent revenue streams

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
Development of Revenues

2008/09
- Entrance Fees: 31%
- Rides: 6%
- F&B: 24%
- Tivoli on Stage: 14%
- Rental Income: 7%
- Glass Hall: 18%
- Tivoli Inn: 9%
- Edge: 2%

Total: DKK 581.7

2011/12
- Entrance Fees: 16%
- Rides: 4%
- F&B: 20%
- Tivoli on Stage: 5%
- Rental Income: 12%
- Glass Hall: 9%
- Tivoli Inn: 4%
- Edge: 34%

Total: DKK 878.2

2018/19
- Entrance Fees: 18%
- Rides: 2%
- F&B: 16%
- Tivoli on Stage: 5%
- Rental Income: 30%
- Glass Hall: 30%
- Tivoli Inn: 11%
- Edge: 18%

Total: DKK 1137.01

Stable 95% Revenue increase
Cashflows generated by 3 Projects

Tivoli on Stage

- Small investment
- Fast operationalization
- Immediate spike in PnL

Payback Time < 1 year

Opportunity Statement  Situational Analysis  Alternatives  Decision Criteria  Implementation  Financial Analysis  Final Proposition  Q&A
Cashflows generated by 3 Projects

Tivoli-Inn

Payback Time

- Medium investment
- Stable cash flows
- Generates Cross Selling

< 7 years
Cashflows generated by 3 Projects

The Edge

- Large Investment
- Long term profit boost
- Sustainable redevelopment of land

Payback Time

< 8 years
Risk Mitigation

Event booking risk
- Development of Concert Hall to meet international standards
- Sufficient time for implementation

Demand risk
- Project runs profitable with a conservative occupancy rate of 82%
- Dynamic pricing structure

Cannibalization risk
- No overlaps between major performances
- Variety of events is an asset

Regulatory risk
- Tivoli-Inn much smaller in scale as the former hotel concept

Deterioration of Tivoli Garden heritage
- Integration of Tivoli-Edge in garden
- Careful selection of unique franchise concepts

Strong public resistance
- Open communication
- Show benefits of ‘The Wall’-development
Spill-over Effects

Proposal 1:
- Revenue Boost
- Revenue Smoothness
- Operations Efficiency
- Tivoli Edge Success Driver
- Spending per Customer
- Enhance Guest Loyalty
- Brand Enhancement
- Use of expertise

Profit from existing real estate

Proposal 2:
- Ensure long-term sustainable profits

Opportunity Statement
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Final Proposition

Key Performance Indicators
- Profit Margin
- Customer Loyalty
- Occupancy Rate

Strategic Objectives
- Year-round business
- Maximization of ROA

Opportunity Statement
- Increase in customer spending
- Brand enhancement
- Stability of revenues – all year long

Situational Analysis

Alternatives

Decision Criteria

Implementation

Financial Analysis

“Become Denmark’s **leading** entertainment provider offering a **superior customer value proposition** resulting in **high and stable revenue streams**”
Opportunity Statement

Situational Analysis:
Business Model
SWOT
Problem Identification

Decision Criteria
Decision Criteria - Reasoning

Alternative 1 – Carnival Week
Alternative 2 – Tivoli on Stage

Implementation:
1. Tivoli on Stage
2. Tivoli Edge

Financials:
Development of Revenues
Sensitivity Analysis
Return on Assets development
Assumptions

Tivoli on Stage income
Tivoli on Stage pricing
Tivoli on Stage demand forecast
Tivoli on Stage cannibalization

Tivoli-Inn earnings
Tivoli-Inn Hotel Operations

Copenhagen Carnival
Retail Stores at Tivoli Edge
Entertainment gap

Multi-Dimensional Proposition
Final Proposition

Q & A
## Predicted Income Statement 2011/2012

**Revenue**
- Ticket Sales: $264,840,264.00
- F&B: $31,680,000.00
- **Total Revenue**: $296,520,264.00

**Cost of Revenue**
- Performing Play: $222,489,400.64
- Channel Partner: $10,593,610.56
- Operational Expenses: $1,760,000.00
- Supervisor: $211,200.00
- Staff: $1,689,600.00
- Insurance: $100,000.00
- Electricity & Heating: $246,400.00
- Cleaning: $176,000.00
- **Total Costs**: $237,266,211.20

EBT: $59,254,052.80  
Tax: $15,998,594.26  
**Net Income**: $43,255,458.54
## Assumptions

<table>
<thead>
<tr>
<th>Assumptions</th>
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<tbody>
<tr>
<td>Projected Growth Rate</td>
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<tr>
<td>Discount Rate</td>
<td>8%</td>
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<tr>
<td>Beta</td>
<td>0.8</td>
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<tr>
<td>Cost of Equity</td>
<td>10%</td>
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<tr>
<td>Cost of Debt</td>
<td>7%</td>
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<tr>
<td>Equity (in Mill)</td>
<td>DKK 535.00</td>
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<td>Debt (in Mill)</td>
<td>DKK 352.00</td>
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<td>Interest Tax Shield</td>
<td>27%</td>
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<tr>
<td>rWacc</td>
<td>8%</td>
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<tr>
<td>Initial Investment</td>
<td>DKK 2,000,000.00</td>
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<td>Annual Maintenance</td>
<td>DKK 300,000.00</td>
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## Pricing

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<tr>
<th>Category</th>
<th>Seats</th>
<th>Weekday</th>
<th>Weekend early</th>
<th>Weekend late</th>
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<tbody>
<tr>
<td>A</td>
<td>720</td>
<td>DKK 630.00</td>
<td>DKK 700.00</td>
<td>DKK 880.00</td>
</tr>
<tr>
<td>B</td>
<td>360</td>
<td>DKK 475.00</td>
<td>DKK 550.00</td>
<td>DKK 660.00</td>
</tr>
<tr>
<td>C</td>
<td>360</td>
<td>DKK 375.00</td>
<td>DKK 450.00</td>
<td>DKK 550.00</td>
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<tr>
<td>D</td>
<td>270</td>
<td>DKK 250.00</td>
<td>DKK 350.00</td>
<td>DKK 400.00</td>
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<tr>
<td>Disabled</td>
<td>90</td>
<td>DKK 250.00</td>
<td>DKK 350.00</td>
<td>DKK 400.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>70%</th>
<th>80%</th>
<th>95%</th>
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</thead>
<tbody>
<tr>
<td># of Performances</td>
<td>3</td>
<td>2</td>
<td>3</td>
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</table>

## Financial Analysis

<table>
<thead>
<tr>
<th>Weeks per Year</th>
<th>Factor</th>
<th>Revenue</th>
<th>Annual Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Musical</td>
<td>22</td>
<td>128,193,120.00</td>
<td>3</td>
</tr>
<tr>
<td>Class B Musical</td>
<td>18</td>
<td>83,908,224.00</td>
<td>3</td>
</tr>
<tr>
<td>Class A Circus</td>
<td>1</td>
<td>6,409,656.00</td>
<td>1</td>
</tr>
<tr>
<td>Class B Circus</td>
<td>4</td>
<td>13,984,704.00</td>
<td>1</td>
</tr>
</tbody>
</table>
### Predicted Income Statement 2015/16

#### Revenue
- Roomnights: 20,848,800.00
- **Total Revenue**: 20,848,800.00

#### Cost of Revenue
- Variable: 5,212,200.00
- Fix: 10,424,400.00
- Maintenance: 1,042,440.00
- **Total Costs**: 16,679,040.00

#### EBT
- 4,169,760.00

#### Tax
- 1,125,835.20

#### Net Income
- **3,043,924.80**

### Tivoli-Inn
- Rooms: 60
- Occupancy: 70%
- People per Room: 1.7
- Nights: 365
- Room Nights: 26061
- Price per Room: DKK 800.00
- Annual Revenue: DKK 20,848,800.00
### Cost/Revenue sharing with Partner

#### Tradeoff between upside potential and stable revenues

<table>
<thead>
<tr>
<th>Risk bearing</th>
<th>Risk sharing</th>
<th>Risk averse</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pay partner fix amount</td>
<td>• Pay partner fix and variable component</td>
<td>• Require fix amount to rent out facility</td>
</tr>
<tr>
<td>• Highest P/L potential</td>
<td>• Shared P/L</td>
<td>• Promotion/distribution responsibility rests with partner</td>
</tr>
<tr>
<td>• Pressure to achieve high occupancy</td>
<td></td>
<td>• Does not provide desired revenue boost</td>
</tr>
<tr>
<td>• Cash flow variability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Capitalize on Tivoli brand name</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Most suitable for revenue boost</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Matches Tivoli brand best**

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<table>
<thead>
<tr>
<th>Opportunity Statement</th>
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<th>Decision Criteria</th>
<th>Implementation</th>
<th>Financial Analysis</th>
<th>Final Proposition</th>
<th>Q&amp;A</th>
</tr>
</thead>
</table>

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Strategic Implementation

**Product**
- Accommodation for experience seeking weekend travelers
- Product bundles for tourists → “Show & Hotel” tickets

**Price**
- Discounts for weekend passes
- Competitive pricing to Radisson

**Distribution**
- Direct: website and hotline
- Indirect: travel agencies or tourist information centers, booking portals

**Promotion**
- Development and capitalization on Tivoli brand
- Website and booking portals
Sensitivity Analysis

- **Oppportunity Statement**
- **Situational Analysis**
- **Alternatives**
- **Decision Criteria**
- **Implementation**
- **Financial Analysis**
- **Final Proposition**
- **Q&A**
### Return on Assets development

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>804</td>
<td>898</td>
<td>898</td>
<td>920</td>
<td>1320</td>
</tr>
<tr>
<td>EBIT</td>
<td>90</td>
<td>90.3</td>
<td>150</td>
<td>170</td>
<td>250</td>
</tr>
<tr>
<td>ROA</td>
<td>11.19%</td>
<td>10.06%</td>
<td>16.70%</td>
<td>18.48%</td>
<td>18.94%</td>
</tr>
</tbody>
</table>
Copenhagen Carnival

- Copenhagen Carnival
  - Time: February
  - Second biggest carnival in Denmark
  - 100,000 spectators

Business Potential for Tivoli Garden: Carnival Season

- Major obstacles for opening Tivoli Garden
  - Location of Carnival: Fælledparken
  - Event-horizon: Three days
  - Maintenance of equipment at Tivoli Garden
  - Initial cost for park opening
    - High investment but uncertain demand
<table>
<thead>
<tr>
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<th>Final Proposition</th>
<th>Q&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truly special and unique brands</td>
<td>Experience-based</td>
<td>Franchise</td>
<td>Flagship stores</td>
<td>11,000 m²</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Retail Stores & Restaurants @ Edge**

- Truly special and unique brands
- Experience-based
- Franchise
- Flagship stores
- 11,000 m²
Hotel Operations

• Tivoli-Inn
  • Tivoli-Inn is located at Tivoli Garden
  • Operations are run by Tivoli
    – Provide cross-selling
    – Leverage successful NIMB experience
    – Collaboration with Tivoli Garden Restaurants
    – Small in scale with 100 rooms
    – Higher profit margins

• Tivoli Hotel
  • Partnership with ARP-Hansen Hotel Group
    – Construction
    – Operations
  • Tivoli provides brand and the ‘Tivoli Experience’
  • Huge complex
    – 400 rooms
    – Congress center
  • Self-Managing would be too complex
    – High risk due to size
    – Location distance
Entertainment Market Potential in Copenhagen

Entertainment categories

- Classical Music
- Musical
- Circus
- Rock Music
- Mainstream

Market Penetration Rate
### Main Competitors Concert Hall

<table>
<thead>
<tr>
<th>Name</th>
<th>Seats</th>
<th>Focus</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copenhagen Concert Hall</td>
<td>1800</td>
<td>• Danish National Symphony Orchestra</td>
<td></td>
</tr>
<tr>
<td>Copenhagen Opera House</td>
<td>1492 to 1703</td>
<td>• National Opera house</td>
<td></td>
</tr>
<tr>
<td>Royal Danish Theatre</td>
<td>1600</td>
<td>• Opera • Royal Danish Ballet • Royal Danish Orchestra</td>
<td></td>
</tr>
<tr>
<td>Forum</td>
<td>10000</td>
<td>• Mainstream concerts</td>
<td></td>
</tr>
</tbody>
</table>

No major institution focuses on musicals and show theaters
Market Niche
Why is there a gap in musical?

• Supply slide market failure
  – Traditional music and entertainment places are focusing on opera, classical concerts and ballet

• Demand for musicals and artistic performances is strong
  – Consumer needs are changing
    • Need for upscale entertainment and unique experience
    – Example: Mama Mia @ Concert Hall
Multi-Dimensional Proposition

- **Proposal 1: Tivoli on Stage**
  - Volatile Revenues
  - Inefficient Use of Assets
  - Utilize existing real estate

- **Proposal 2: Tivoli - Inn**
  - Volatile Revenues
  - Inefficient Use of Assets
  - Further stabilization and brand enhancement
  - All year business → Smooth out revenues
  - Efficiency and maximum ROA

Opportunity Statement | Situational Analysis | Alternatives | Decision Criteria | Implementation | Financial Analysis | Final Proposition | Q&A
--- | --- | --- | --- | --- | --- | --- | ---
Tivoli on Stage: Market Forecast

Potential customers:

- 4 mln regular yearly visitors (19% Families & 20% Cultural)
- = 1.56

**ATAR Model**

- Awareness 95%
- Trial 70%
- Availability 85%
- Repeat (Satisfaction) 65%

Demand: 573, 163 seats per year
• **Cannibalization is not an issue**
  – One-time cultural shows and performances will be held in the Glass house
  – Majority of these shows will be held during transition periods between musical etc. (all 2 months)
  – Variety should be seen as a competitive capability and not a threat