

POSITIONING DPR FOR SUCCESS

Looking ahead to 2018, we have our strategy in place to build the Dubai Parks and Resorts brand nationally and internationally, and to continue driving footfall to our market-leading portfolio of assets.

Our strategy

The central tenet of our strategy is to increase footfall to the Dubai Parks and Resorts destination by encouraging repeat visits from UAE and GCC residents, specifically through our annual pass programme, as well as increasing the contribution of international tourists to our visitor numbers.

Pricing

Our pricing strategy for the 2017/2018 winter season focuses on encouraging visits from our core markets, as well as providing a stable pricing structure with minimal tactical offers and discounting. Our pricing strategy also focuses on increasing annual pass holders, which we view as a key segment as it encourages visits from their visiting friends and relatives as well as providing off-peak season visitation.

Our pricing strategy for the hotter summer months will focus on enhanced packaging of experiences to offer increased value to our guests, including our FEC segment. As we approach our 2018/2019 winter season, we will assess the existing pricing structure to ensure optimal visitor numbers and revenue generation.

Partnerships

We are fortunate to operate in the fourth most-visited city in the world, Dubai, which provides us with a unique ability to partner with leading international tourist brands such as Emirates, flydubai, the Jumeirah Group, and others.

Additionally, we have partnered with leading tour and travel operators in our key source markets of India, China, Russia, and the UK, and continue to engage with them through attractive commission structures as well as joint marketing campaigns.

Finally, we remain grateful for the support received from the DTCM, which offers us visibility in key international source markets through hosting familiarisation trips and key industry events at our parks, as well as being part of their international roadshows to promote Dubai as a destination.

Marketing and cost optimisation

We are committed to increasing our marketing impact without having to increase our marketing spend. Building a brand within an industry new to the region means we are focused on experiential marketing. Our marketing strategy aims to enhance brand awareness through the use of traditional media, particularly radio and outdoor, as well as social media, with a focus on influencers, bloggers, and brand ambassadors.

In key source markets, we are able to partner with our tour and travel agencies to reach Dubai-bound visitors, using campaigns that reflect consumer booking habits. Recognising the key school holiday periods and booking lead times allows us to dedicate campaigns to each specific region with targeted messaging and attractive offers.

The final element in our strategy is the efficient management of our cost structure to enable us to deliver improved EBITDA. Our efforts to consolidate key operational functions have been successful, and with the aid of our theme park operators, we continue to identify further operational synergies.

Challenges

The leisure and entertainment industry in the UAE, like any industry, is subject to challenges, many of them beyond its control. The key challenge to our business is any factor that impacts visitor numbers to our destination, including adverse weather conditions, changes to the transportation infrastructure, and a range of international macro-economic factors such as currency fluctuations and political instability, which can impact inbound tourism to the UAE.

The seasonality of our business has been accounted for both in our business plan and in the design of our parks. Most of our rides have air-conditioned queuing systems; each park has large indoor areas; and the distance between attractions has been designed to offer relief from the peak summer heat. However, even the cooler winter months can offer challenges, and in 2017 we experienced a wetter than usual February followed by a period of sandstorms that negatively impacted our visitor numbers.

Our marketing strategy during challenging weather conditions is to focus on existing infrastructure of the parks by highlighting the various indoor venues, such as the DreamWorks zone in MOTIONGATE™ Dubai, which hosts 12 rides and attractions within the fully air-conditioned box.

Transportation between the parks and the main guest arrival centres remains a key operational challenge, which we aim to remedy as we approach the 2018 summer season.

In addition to weather and seasonality, we also face broader macroeconomic issues, specifically currency fluctuations, which can impact tourism from key source markets. In 2015, the Russian rouble devaluation had an immediate impact on inbound Russian tourism to Dubai. However, despite this significant drop and thanks to the varied source markets of Dubai's tourism, the city still experienced growth in 2016, and the granting of visa-on-arrival to Russians at the end of 2016 has seen a return of this key market in 2017. What this means for our business is that we have to be alert and agile in the face of macroeconomic factors, both in terms of marketing and sales to affected regions, but also by continuing to build business across varied markets to ensure minimal disruption to our operations.

Operating a guest-facing business, especially a theme park business, means that safety takes precedence above all else. We are fortunate to have international theme park operators operating our parks, helping us ensure that we have the highest international safety standards across our parks. 2017 was a zero-incident year – a record we intend to keep.

Looking ahead/Outlook

We start our first full year of operations having absorbed the lessons and knowledge that came from operating an extraordinary theme park destination in circumstances that occasionally challenged our strategy and approach.

We believe, however, that we are on the right path. DPR is now fully operational; our marketing strategy will start yielding higher visitor numbers; and our customer satisfaction ratings are steadily increasing.

Having attracted close to 2.3 million visits in 2017, with our flagship MOTIONGATE™ Dubai theme park only becoming fully operational in the fourth quarter, we expect visitor numbers to continue growing into 2018. Bearing in mind the seasonality of our business, we expect that we will reach a normalised operational state towards the fourth quarter of 2018, once all our marketing efforts and international partnerships begin to yield results.

With a relatively fixed cost base and with our business still not delivering its full visitor potential, further support is required from our shareholders and financing partners.

Therefore, we are very happy to report that in early 2018, our financing partners agreed to realign the key elements of our AED 4.2 billion Phase I debt, providing us with relief from principal repayments, covenant testing for the coming 3 years, as well as a re-phasing of remaining payments in line with our business plan.

Furthermore, we are pleased to report that an additional AED 500 million has been secured from our majority shareholder Meraas Holding, which forms part of the AED 1.2 billion convertible that is being proposed to shareholders at the General Assembly in April 2018. Should the shareholders approve the convertible, we anticipate that our cash requirements are met in 2018 and beyond through to breakeven.



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