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San Antonio Sea World Feasibility Study

Harrison Price Company

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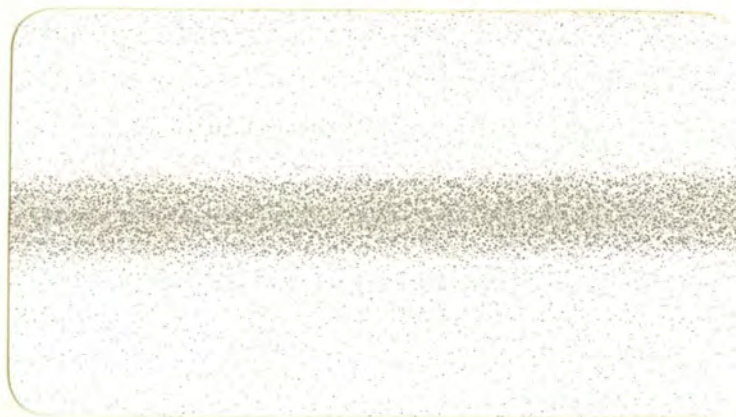
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San Antonio
Sea World Study



HARRISON PRICE COMPANY

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January 2, 1985

Frank Powell
Sea World
1720 S. Shores Road
Mission Bay
San Diego, California 92109

Dear Frank:

You have requested that we put together a preliminary appraisal of the market opportunity for a \$50 million Sea Life Park in San Antonio. We have been in contact with local tourist agencies in San Antonio and our own sources of demographic data and have put together the following paragraphs as an evaluation of the prospects.

Local Market

The 1983 census for the area within 50 miles of the City Center is 1,260,000. Within 50 to 100 miles the population is 835,000. Thus, the total local market is 2,095,000.

This compares to like numbers of 1,653,000 and 1,528,000, a total of 3,181,000 in New Orleans.

There is also a large military population in San Antonio (Lackland AFB, Fort Sam Houston, Kelly AFB) not included in the above numbers.

San Antonio is the fourth largest Latino market in the U.S. after Los Angeles, New York City and Miami. Bexar County, 85% of the 50 mile population, is 47% Latino.

Average household size in the SMSA is a relatively high 2.99, reflective of high Latin population. Likewise, median age is a low 28.8. Median household income in 1983 within the SMSA was a relatively low \$22,240 (\$108 lower than New Orleans).

Tourist Market

The San Antonio Convention and Visitors Bureau reports these numbers:

- A 1983 value of 9.5 million visitors based on data compiled by the US Travel Data Center and Texas Highway Department reports.
- A visitor average of 2.7 persons per party.
- Total hotel room count (City wide) of 14,300.

- 49% of overnight visitors stay in hotels.

The total of 9.5 million includes a high percentage (almost half) of tourism in the pass-through category, which is calculated in the following manner:

6750	Number of Hotel Rooms	14,300	16.75	18.
2.1	People per Party	2.7	1.75	
35170	Overnight Visitor Capacity	38,610		
.6	Assumed Aggregate Hotel Occupancy	0.65	63	
21110	Nightly Average Visitor Count	25,097		
7703	Annual Hotel Visitor Nights (x365 days)	9,160,223		
3	Total Annual Visitor Nights			
334	(divided by 0.49)	18,694,331		
3			4.92	4.25

We do not accept the average length of stay reported in the Visitors Bureau Facts and Statistics Summary (5.2 days) which would yield an overnight visitor count of 18,694,331 divided by 5.2 or 3.6 million visitors. Rather, we would use a figure between 3.5 and 4.0 days which seems to us to more reasonably fit the realities of the City's tourism. At 3.75 days average visit, annual tourism totals 5.0 million.

Included in this total is a substantial convention business reported as 595,377 room nights which is equivalent to 198,000 visitors at a typical 3 day average convention visit.

The balance of 4.5 million is pass-through traffic proceeding north and south on Interstate 35 or east and west on Interstate 10.

Seasonality

1983-1984 seasonality of the Zoo - largely a local draw - is as follows (October 83-September 84):

<u>Month</u>	<u>Attendance</u>	<u>Percent of Year</u>
January	26,661	2.5
February	48,893	4.7
March	120,392	11.5
April	122,217	11.7
May	115,804	11.1
June	156,216	14.9
July	148,873	14.2
August	108,714	10.4
September	64,695	6.2
October	67,078	6.4
November	51,518	4.9
December	16,285	1.6
Total	1,047,346	100.0

The six heaviest months, March through August, account for 73.8% of the business. November to January are the low months accounting for 9% in a quarter of the year.

Registrations at the Visitor Center at the Alamo (largely a tourist market indicator) had the following spread in 1983/4 (October 83 to September 84):

<u>Month</u>	<u>Registrations</u>	<u>Percent of Year</u>
January	18,149	5.0
February	22,061	6.1
March	33,878	9.4
April	33,136	9.2
May	28,596	7.9
June	37,274	10.3
July	41,805	11.6
August	47,642	13.2
September	34,521	9.5
October	28,956	8.0
November	19,421	5.4
December	<u>16,211</u>	<u>4.5</u>
Total	361,650	100.0

As would be expected, the above figures are more typical of a touristic attraction with quarterly results as follows:

January-March	20.5%
April-June	27.4%
July-September	34.3%
October-December	17.9%

Weighting the two series 60% tourism, 40% resident produces a seasonal index as follows:

	<u>Quarterly Seasonal Percentage (%)</u>		
	<u>Alamo</u>	<u>Zoo</u>	<u>Sea World San Antonio Weighted 60/40</u>
January-March	20.5	18.7	19.8
April-June	27.4	37.7	31.6
July-September	34.3	30.8	32.9
October-December	17.9	12.9	15.9

The tentative conclusion that is drawn from the above data is that a year around season may well be justifiable - with week day closures November through February.

Local Attractions

Popular visitor attractions in San Antonio include the Alamo, the River Walk festival shopping area, the Zoo which bested 1 million

this year (977,000 in 1982/3), five art museums, Lone Star Brewery Wax Museum, 5 military bases each with a visitor center of some scope and interest, 4 missions in addition to the Alamo, and Breckenbridge Park, a large city center park with an attractive element called the Sunken Gardens.

The City is typically a family outing place primarily serving the excursion market from other major Texas cities, especially Houston, Dallas and Fort Worth.

Attendance Potential

A first and preliminary cut at attendance is derived by using typical Sea World market penetration percentages at Orlando and San Diego estimated presently as follows:

<u>Market Segment</u>	<u>Market Penetration (%)</u>	
	<u>Orlando</u>	<u>San Diego</u>
0-50 Miles	22	43
50-100 Miles	13	15
Tourism	16	12

Application of these values in a range results in these values for attendance:

<u>Segment</u>	<u>Market Size</u>	<u>Penetration Range (%)</u>			<u>Attendance Range (000)</u>		
		<u>Low</u>	<u>Avg</u>	<u>High</u>	<u>Low</u>	<u>Avg</u>	<u>High</u>
0-50 mi	1,260,000	22	32.5	43	277.2	409.5	541.8
50-100 mi	835,000	13	14	15	108.5	116.9	125.2
Tourism	5,000,000	12	14	16	600.0	700.0	800.0
					985.7	1,226.4	1,467.0

San Diego SeaWorld penetrations produce an attendance of 1,258,700 in the San Antonio market.

Orlando Sea World penetrations produce an attendance of 1,185,700 in the San Antonio market.

The ratio of attendance at the San Antonio and San Diego Zoos is 39.2%. Applying that percentage to San Diego Sea World (39.2% of 3.0 million) gives an attendance value in San Antonio of 1.176 million.

We believe that an attendance target of 1.25 million in 1984 values is a proper target in the first year for a San Antonio SeaWorld project of the scale so far discussed (\$50 million investment).

It should be mentioned that tourism over the last 7 years has grown at a compounded rate of 3.8% and population growth rate has

followed close behind. It is one of the fastest growing markets in America. A 1990 projection of 1.52 million would be reflective of a 4 percent compounded annual growth rate.

First Cut Economic Projection

Assuming a \$40 million loan at 11% rate and 25 year amortization and a \$10 million equity, the following values would be applicable:

Per Capita Revenue	\$16.00
Operating Profit (%)	45%
Attendance	1,250,000
Total Revenue	\$20,000,000
Operating Profit (\$)	\$ 9,000,000
Amortization and interest (straight line)	\$ 5,937,012
First Year Interest	\$ 4,400,000
Depreciation at Composite 15 years	\$ 3,333,333
Taxes with accelerated depreciation	0
Cash Return 1st Year (9,000,000 - 5,937,012)	\$ 3,062,988
1st Year Cash on Cash ROI (3,062,988/10,000,000)	30.63%

The above projection assumes that municipal financing at modest interest rates would be made available on a long term (25 years) repayment schedule. With such financing and with accommodation on site acquisition on some cooperative public/private basis, this project could be of interest from the standpoint of its feasibility and its market opportunity.

San Antonio is one of the best remaining markets essentially passed over to date in the development of commercial recreation attractions.

We recommend a field visit in San Antonio as a next step to deal with these numbers on a first hand basis and to expand on this first cut projections.

Very best regards,

Harrison A. Price
President

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