

Case 24-1c

Big Mountain Amusement Park

Big Mountain Parks & Entertainment (“Big Mountain” or the “Company”) is a publicly traded, leading entertainment company that owns 10 premier theme parks as follows: Stone Mountain Georgia, Discovery Adventure Place, Big Rapids Orlando, Discovery Adventure North Carolina, Big Rapids Washington, Stone Mountain Orlando, Discovery Adventure Colorado, Big Rapids Charlotte, Big Rapids LA, and Discovery Adventure Kids Cove.

Each of the Company’s 10 theme parks engages in similar business activities (e.g., ticketing, food, parking, and games). Revenues are earned for each of the separate business activities conducted at the 10 parks. Each park is designed to have a small, full-time employee base with a large seasonal staff that is hired each year. Employee costs represent the most significant annual expenditure by each park. Employees within the park are assigned to a base business activity but have the ability to assist other business activities within the park (i.e., a parking employee can also serve the food stands if necessary) and regularly do so. The movement of employees between businesses is not tracked for financial reporting purposes, and general park expenses are not allocated to the various business activities within each park. The operating results of each park are reviewed monthly by each park’s chief operating officer (COO). Each COO reports to the Company’s chief executive officer (CEO) to discuss operating activities, financial results, forecasts, and future plans. In addition, the CEO meets with each park’s COO several times a year to discuss current and forecasted budget.

The Company also has a strategy committee that act together to make operational recommendations such as allocating resources. The Company’s CEO participates as a member of the strategy committee but is ultimately responsible for the allocation of resources and has the ability to make independent decisions that may not be in line with the strategy committee’s recommendations. The board of directors of Big Mountain does not have involvement with the day-to-day operations of the parks.

The parks are designed to provide a similar guest experience and provide the same basic business activities (e.g., ticketing, food, parking, and games) even though the rides and attractions of the parks vary.

Each park caters to families seeking leisure or tourist activities. The large parks have a more diverse (international) group of customers because of location. While the Company does not market its products differently to those customers, it does provide a few additional services, including bilingual staff and certain internationally themed celebrations. Regardless of the location or customer base, the Company’s overall strategy is to ensure each park is a premiere theme park.

Although the Company operates parks in several states throughout the continental United States, the industry through which it operates, including food handling, water quality, ride operations, and animal-related permitting, are all monitored nationally; there are no significant differences in laws or regulations in the states in which the Company operates its parks.

Management Reporting

The CEO receives a monthly reporting package that includes a consolidated profit and loss statement (P&L) for all the parks (“consolidated P&L”), as well as a separate P&L for each of the 10 parks (“P&L by park”). The consolidated P&L and the P&Ls by park include revenues by business activity (e.g., ticketing, food, parking, and games) as well as total revenue. Expenses, including other general overhead, are allocated to each park and are included in each park’s P&L that is presented to the CEO. However, certain costs including interest expense are not allocated to individual parks and are tracked at a corporate level. Expenses are reported in total in the P&L for each individual park since expenses are not allocated to each business activity. Although the CEO receives park-level data within the monthly reporting package, the CEO makes decisions on a consolidated or aggregated basis as opposed to a park-by-park basis (i.e., rides, attractions, shows, and seasonal events are similar in each park).

The consolidated P&L and the P&L by park within the monthly reporting package include certain financial metrics considered to be important by the CEO. Those metrics are total revenue and adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA). A summary of some of the information presented to the CEO is included at the end of the case*.

Discussions with the CEO and a review of competitors indicate that attendance is a critical business metric used by competitors in the industry. The CEO, however, uses adjusted EBITDA to make investment and allocation decisions to drive attendance growth. In addition, adjusted EBITDA is a significant factor in compliance with debt covenants because it includes an allocation of both employee and other overhead costs and the compensation of top executives of the Company.

Since total revenue ultimately drives profit, it is also included in the monthly reporting package. The Company analyzes long-term growth rates of revenue in its analysis, noting the compound annual growth rate (CAGR) over a 10-year period is between 2 percent and 4 percent, with the higher range occurring because of the attractions at newer parks. The CAGR projected for the next five fiscal years is between 2 percent and 3 percent for each park.

Financial metrics analyzed by the CEO are highly dependent on the opening of new attractions and, therefore, the metrics may fluctuate slightly from year to year on the basis of the capital spending period and opening of new attractions.

Information Provided to Board of Directors

The board of directors is provided with a consolidated P&L that includes total revenue and adjusted EBITDA similar to the P&L received by the CEO. The board of directors does not receive information on a park-by-park basis or any other segmented grouping.

US\$	EBITDA Margin										
	Historical				Projected						
	2020	2021	2022	Average Historical	2023	2024	2025	2026	2027	Average Projected	Combined
Stone Mountain Georgia	33.5%	29.6%	31.5%	31.53%	32.8%	33.5%	32.8%	33.8%	34.2%	33.42%	32.70%
Stone Mountain Orlando	24.4%	29.2%	28.1%	27.23%	27.6%	26.2%	28.6%	29.4%	30.0%	28.36%	27.99%
Discovery Adventure Place	26.4%	26.5%	25.8%	26.23%	26.8%	25.6%	28.0%	27.7%	29.2%	27.46%	27.03%
Discovery Adventure North Carolina	25.2%	26.1%	28.8%	26.70%	26.3%	26.4%	26.6%	26.9%	28.8%	27.00%	26.97%
Discovery Adventure Colorado	24.9%	28.6%	28.3%	27.27%	25.2%	28.4%	27.4%	28.5%	29.2%	27.74%	27.90%
Total Large Parks				27.79%						28.80%	28.52%
Discovery Adventure Kids Cove.	39.7%	35.8%	37.1%	37.53%	36.2%	35.4%	37.3%	37.5%	38.1%	36.90%	37.27%
Big Rapids Orlando	27.5%	28.6%	32.1%	29.40%	34.8%	33.3%	33.9%	35.0%	35.8%	34.56%	32.31%
Big Rapids Washington	38.2%	38.5%	37.9%	38.20%	37.2%	35.4%	37.5%	38.9%	41.2%	37.93%	38.24%
Big Rapids Charlotte	38.3%	41.9%	33.4%	37.87%	28.0%	31.8%	31.8%	32.0%	33.3%	31.38%	34.64%
Big Rapids LA	32.3%	35.3%	29.0%	32.20%	28.4%	27.7%	27.3%	26.8%	26.5%	27.34%	29.27%
Total Small Parks				35.04%						33.62%	34.35%

*The table above is reflective of Adjusted EBITDA margin.

US\$	Revenue														
	Historical						Projected								
	2020	2021	vs. PY	2022	vs. PY	2023	vs. PY	2024	vs. PY	2025	vs. PY	2026	vs. PY	2027	vs. PY
Stone Mountain Georgia	1,045,103	1,075,411	2.9%	1,102,794	2.5%	1,135,878	3.0%	1,158,595	2.0%	1,204,823	4.0%	1,228,920	2.0%	1,254,727	2.1%
Stone Mountain Orlando	732,381	750,398	2.5%	755,721	0.7%	779,148	3.1%	804,081	3.2%	827,399	2.9%	850,566	2.8%	876,509	3.1%
Discovery Adventure Place	495,882	511,601	3.2%	514,202	0.5%	529,628	3.0%	545,464	3.0%	562,101	3.1%	578,402	2.9%	596,332	3.1%
Discovery Adventure North Carolina	690,334	717,257	3.9%	718,050	0.1%	737,437	2.7%	757,348	2.7%	777,797	2.7%	798,797	2.7%	820,365	2.7%
Discovery Adventure Colorado	428,796	437,458	2.0%	446,997	2.2%	461,077	3.1%	472,604	2.5%	484,419	2.5%	496,530	2.5%	508,943	2.5%
Total Large Parks	3,392,496	3,492,125	2.9%	3,537,764	1.3%	3,643,168	3.0%	3,738,092	2.6%	3,856,539	3.2%	3,953,215	2.5%	4,056,876	2.6%
Discovery Adventure Kids Cove.	157,930	162,336	2.8%	163,148	0.5%	166,737	2.2%	170,405	2.2%	174,154	2.2%	177,985	2.2%	181,901	2.2%
Big Rapids Orlando	251,078	259,715	3.4%	262,151	0.9%	269,229	2.7%	276,498	2.7%	283,964	2.7%	291,631	2.7%	299,505	2.7%
Big Rapids Washington	58,598	60,936	4.0%	61,302	0.6%	62,528	2.0%	63,778	2.0%	65,054	2.0%	66,355	2.0%	67,682	2.0%
Big Rapids Charlotte	65,307	67,260	3.0%	68,605	2.0%	70,252	2.4%	71,938	2.4%	73,664	2.4%	75,432	2.4%	77,243	2.4%
Big Rapids LA	136,941	141,186	3.1%	143,304	1.5%	147,030	2.6%	150,852	2.6%	155,363	3.0%	160,008	3.0%	164,793	3.0%
Other - Corp	33,203	33,867	2.0%	33,901	0.1%	33,935	0.1%	33,969	0.1%	34,003	0.1%	34,037	0.1%	34,071	0.1%
Total Small Parks	703,057	725,300	3.2%	732,411	1.0%	749,711	2.4%	767,440	2.4%	786,202	2.4%	805,448	2.4%	825,195	2.5%
Total Company	4,095,553	4,217,425	3.0%	4,270,175	1.3%	4,392,879	2.9%	4,505,532	2.6%	4,642,741	3.0%	4,758,663	2.5%	4,882,071	2.6%