INFORMATION NOTE

Disneyland Paris: Some Basic Facts

1. Background

1.1 Disneyland Paris opened on 12 April 1992. It is located 25 km east of Paris, at a small farming town. Talks between Disney and the French government started in the early 1980's and an agreement was signed by the French Prime Minister Laurent Fabius and Walt Disney Chairman in 1985. At that time, the French government called it "the largest investment in recent history in France".

1.2 At first, the project cost was estimated to be about US$1 billion and the original name was Euro Disney. Initial financial arrangement was that Disney would hold 49% equity in the project and the French government would put in a cash grant and a loan and would finance much of the infrastructure. This was the extent of the French government's involvement in the park. Euro Disney was to be run as a non-government concern.

1.3 When the theme park was built, cost escalated to US$5 billion due to a number of design and construction changes. Between 1992 and 1994, a combination of reasons led to financial difficulty at Euro Disney: the US$4 billion debt posed a huge financial burden on the park, interest rates were double that estimated, tourist spending was lower because of recession in Europe, half the revenue projected to come from real estate development did not materialize as a result of the collapse of the property market in France, a strong franc which made it expensive for visitors, and low attendance which fell below the expected annual 10 million for the period.

1.4 In 1994, a huge financial restructuring took place to reduce debt by US$1 billion. This gave Euro Disney 24 months' forgiveness from paying interest on roughly US$3 billion of the loans, along with a 3-year postponement on paying back the principal. The consortium of 60 banks also agreed to arrange for buyers of 51% of a US$1.2 billion rights offering that would be used to pay down debt. Disney sold off equity to raise funds: 10% of the original 49% equity was acquired by a Saudi Prince who bought 14% more shares from the market, making him the second largest investor in the project. Disney also agreed to waive its rights to management fees from 1992 to 1998, and to slash those fees from 6% to 1% of the park's revenues. Disney was allowed to increase the management fees gradually back to the 6% level in the year 2018.

1.5 In 1994, the name of the park was also changed to Disneyland Paris in order to attract more European visitors because the name "Euro" was considered as having a connotation of "business and commerce" while the name of Paris had a connotation of romance and magic, which was considered closer to the image that Disney wished to project. By 1995, with interest costs slashed to US$93 million from US$265 million, the park announced its first profit of US$23 million. Attendance was up by 21%, just short of the original 11 million target set by Disney for 1995.

1.6 Disney plans to build next to the present site a second theme park which is film-based and due to open in 2002, the 10th anniversary of Disneyland Paris. Total investment will amount to US$645 million.

2. Basic Facts

Economic and financial arrangements

Investment	
French government	**Disney**
Sold Disney approx. 4 400 acres of land at farmland price	Designed and built the park
Lent Disney US$770 million at interest rates considerably lower than the market rates	Equity investment of US$100 million
Financed much of the key infrastructure of the park at US$400 milion, most notably extending the Paris subway to make the site a terminus, as well as improving the motorway that ran by the site	Arranged for US$1 billion public offering of shares on 5 October 1989 at the French stock exchange
Arranged for trans-continent train TGV to stop at the front entrance of the park	Arranged for borrowing of US$1 billion from banks at favourable interest rates
Arranged for direct link with traffic from the Euro-tunnel	
Cash grant of US$30 million	
Accelerated depreciation for capital investment at 10 years instead of 20 years	
VAT for Disney at 5.5% instead of 18.6%	
Return	
French government	**Disney**
10 000 jobs in Disneyland Paris	Management fee as % of revenue
30 000 jobs in neighbouring counties	Royalties from gross revenues on food, merchandise, admissions
10 million additional annual visitors	
Increase of billions of revenue	

Ownership

Owner	Percentage share
The Walt Disney Co.	39%
Saudi Prince Alwaleed	24%
Free-float/publicly held	37%

Operational statistics

	1992*	1993	1994	1995	1996	1997	1998	1999
Attendance (million)	6.58	9.8	8.8	10.7	11.7	12.6	12.5	n.a.
Hotel occupancy (5 700 rooms)	37%	55%	60%	68.5%	72%	n.a.	n.a.	n.a.
Revenue (US$million)	n.a.	886.2	754	831.2	903.2	887.9	897.9	920.2
Net income (US$million)	n.a.	-970.4	-326.7	20.7	36.7	35.5	44.2	23.6
Total debt (US$million)	n.a.	3,700	2,800	2,700	2,700	n.a.	n.a.	n.a.

Remarks: *1992 statistics are partial: operation started on 12 April 1992 only.
n.a. means information not available.

Staff: 10 000

French	67%
Other European	13%
From other countries	20%

Nationalities of visitors

France	40%
Germany	15%
Holland	10%
Belgium	10%
United Kingdom	10%
Rest of Europe	8%
All others	7%

Rides and attractions: 40, in five theme lands
Restaurants: 61, serving 27 million meals in 1996
Boutiques, 42, selling more than 21 million articles in 1996

Reference: M. Eisner, *Work in Progress, 1998* ; *Amusement Business*, 28 April 1997; *Sloan Management Review*, 1 October 1998; http://www.freesun.net/; nnfn.com/1999/n/02/europe/eurodisney/

Prepared by Ms Eva LIU, Miss Elyssa WONG on 10 November 1999
Tel: 2869-7735