

# Cheap Thrills

Who needs Disney World? Merlin Entertainments pitches scaled-down fun for three-hour vacations. By Emily Lambert

**O**NE RECENT WEEKDAY MORNING at the Legoland Discovery Center in Schaumburg, Ill., dozens of excited 7- and 8-year-olds were posing for pictures with a life-size ticket taker built of Lego bricks. They shrieked with delight when they heard a noise that suggested the statue was passing gas.

Walt Disney Co. and other big theme

to five small parks a year, focusing on the U.S. They are mostly indoor attractions, under 40,000 square feet and situated near another gathering spot, such as a shopping mall or an aquarium. He calls these destinations "midways," as the sideshow areas of fairs were once known. They include the giant London Eye wheel, the Tussauds wax museums and Sea Life aquariums.

promotes these smaller venues in brochures, regional publications and on Web sites. It also offers discounted admission through coupons in grocery stores.

Varney says all of Merlin's parks are profitable. In 2007 the small ones brought in 53% of visitors, although only 43% of operating income (Ebitda). Most of the small ones recoup their construction costs within five years, he says.

Blackstone Group bought most of Merlin from another private-equity firm for \$185 million in 2005. Dubai International Capital, the former owner of Madame Tussauds, took an 18% stake in Merlin after the theme park company bought the chain of wax museums' parent in 2007. Varney and other managers own



He builds it, they come: Merlin Chief Executive Nick Varney and Barack Obama, in wax, at Madame Tussauds (a new one opens this summer in Hollywood).

park operators will likely see attendance drop this year. Merlin Entertainments, the Poole, England company running the Legoland, hopes to escape the economic damage. Its more affordable destinations should attract budget-conscious parents, although Merlin Chief Executive Nick J. Varney says his strategy predates the recession and offers a new, not just cheap, way to have fun. "Everyone's talking doom and gloom at the moment," he says. "But [the U.S.] is still the richest country on the planet." So why not build more there?

With \$1.1 billion in 2007 revenue from 58 attractions it operates in 12 countries, privately held Merlin plans to grow bigger by thinking small. Varney aims to open four

These parks attract folks who want to take their kids on outings that offer entertainment and a bit of education—without having to plan a days-long vacation. A family of four might spend three hours and \$60 at a place like Illinois' Legoland, a scaled-down version of Merlin's 128-acre Legoland park in Carlsbad, Calif. Admission fees and a hotel room at Disney World could set the same family back \$242 a day—before food and trinkets.

Merlin can build one of its small parks in nine months, on the cheap, for \$15 million. To put that in perspective, it spent roughly \$15 million to build the Mammut (Mammoth) roller coaster in Castelnovo del Garda, Italy in 2007. The company

12% of the company.

Where possible, Merlin clusters its attractions together and sells a discounted combination ticket. Merlin will soon operate two destinations alongside a shopping center going up in East Rutherford, N.J., 15 minutes from Manhattan. The center's developers are building a 287-foot-high Pepsi Globe, which will be the biggest observation wheel in North America. Modeled after the London Eye, the wheel will have 26 buckets with 20 seats each. It will be 100 yards away from another Legoland Discovery Center. If the flatulent robot is good enough, the kids won't complain too much about not going to Orlando. **F**