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HD **Village Roadshow: Fresh vision draws fans with plenty of thrills**
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The leisure group's successes and new market-friendly ways are drawing plenty of notice, writes Madeleine Heffernan.

Village Roadshow was once one of the ASX's most impenetrable big companies, known for its oversize executive pay cheques and a reputation for running itself with the secrecy of a family business.

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But it is now starting to win over investors, helped by the tearaway success of its Wet'n'Wild theme park at Prospect in Sydney's west, growth in higher-priced cinema tickets and a widening perception among analysts and fund managers that the **company** is shedding its old introverted ways. Gone is also the trademark long hair of long-time co-executive chairman Graham Burke.

There's also the smash film The Lego Movie, which Village says shows the strength of its vertically integrated business model. That is, the movie, which follows Emmet the Lego construction worker, generates returns across the empire.

Lego is "great news, because we enjoy it in our theatres, we enjoy it in our distribution **company**, the DVD release will be enormous, and we also enjoy it as a half-owner of the copyright in our production **company**", Burke said.

And buoyed by the hundreds of thousands of thrillseekers passing through the turnstiles of Village's water theme park since its December opening, Burke also foreshadowed "significant announcements" in relation to **Chinese** theme parks over the next few months. He has previously indicated the entertainment **company** was weighing up six possible theme park sites there.

"At the risk of being cliched, it's that old classic duck ... on the lake, looking very calm and the legs are going like hell underneath," he said.

Burke said Village had been looking at **China** "for probably more than a decade in one way or another, but it's been brought to a crescendo in the last two years". He and co-executive chairman Robert Kirby had made about 24 trips to **China** over the past three years.

There was "no doubt" huge numbers of **Chinese** were itching to go to theme parks. "We will be involved in international-style products and I don't think that that area will be crazily competitive."

And Burke declared Village's share price, which has dropped almost 5 per cent since the start of the year, as "undervalued" after a bumper 2013. However, he dismissed any chance of another selldown by the private **company** that looms large on its register.

Village Roadshow Corporation - the private **company** controlled by Burke, Robert Kirby and John Kirby (the latter the sons of Village founder Roc Kirby) - sold down its 51 **stake** last year to 44 per cent in a bid to increase Village Roadshow's "free float". The move was designed in part at making the stock more liquid, an important consideration for potential big investors.

Like the towering SkyCoaster ride at the Sydney park, an investment in Village's shares have not been for the faint hearted. But in recent years there has been mostly upside. At the start of 2009, they were languishing at about 55¢. On Thursday they closed at \$7.11. Analysts have a 12-month target price on Village Roadshow of mostly above \$7.80.

Asked by BusinessDay whether another sell-down was likely, Burke replied: "Simple answer, no."

Asked to what he attributed the wild moves in Village's share price, he replied: "The simple answer is one never knows. I think currently they're under-priced, relative to their real value, especially given that we've got some very exciting developments we're working on in **China** and south-east Asia."

Ord Minnett analyst Nicholas McGarrigle for one, believes, the next catalyst for Village Roadshow will be "anything they do in Asia".

In February, Macquarie described Village Roadshow as a "well-run business with an enviable leisure portfolio" which had "taken steps to improve its governance" in the past few years after a "poor" governance track record in relation to its treatment of minority shareholders and "dealings around a potential management buyout".

Village Roadshow Corporation launched a privatisation bid in 2009, but withdrew it in part due to an inability to arrange financing.

Macquarie continued: "Village Roadshow now have a separate corporate governance committee. One positive sign is that in the recent announcement of Robert Kirby becoming joint-CEO, there will be no overall change to remuneration, with the CEO's bonus to be split between the two CEOs."

McGarrigle said Village Roadshow had improved its disclosure and investor presentations over the past couple of years, and pleased by "cutting pay, selling assets, giving cash to shareholders and investing in things such as Wet'n'Wild Sydney". He said the business was previously "probably too complicated" and analyst coverage had increased in line with its growth in earnings.

Regarding its cinema business, Burke joined rival Hoyts in tipping a return to growth this year. Last year box office takings across the industry fell by 2.3 per cent to \$1.1 **billion**, according to Motion Picture Distributors Association of Australia figures.

Burke said 2014 "will be a very good year, and I think '15 will be a remarkable year". He described the films that will soon be released as "extraordinary".

Even so, to offset flat revenue or declining audiences, companies such as Village are rolling out products such as **Gold** Class and supersize screens which will generate more revenue at the box office.

Burke said the **company's** higher-priced **Gold** Class and Vmax tickets "add a pixie dust effect over the whole spectrum, because it says we're moving with the times, that there's exciting things happening".

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