

SE Business
HD **Village Roadshow's new vision draws fans**
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Village Roadshow was once one of the ASX's most impenetrable big companies, known for its oversized executive pay cheques and a reputation for running itself with the secrecy of a family business.

But it is now starting to win over investors, helped by the tearaway success of the **company's** Wet'n'Wild theme park 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 too is the trademark long hair of long-time co-executive chairman Graham Burke.

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There's also the smash film, The Lego Movie, which Village Roadshow says highlights the strength of its vertically integrated business model. That is, the movie, which follows Emmet the Lego construction worker, generates returns across all parts of the Village 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 western Sydney water theme park since its December opening, Burke also foreshadowed announcements in relation to **Chinese** theme parks over the next few months. He has previously said the entertainment **company** was weighing up six possible theme park sites there.

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

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

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

And Burke declared that Village Roadshow's share price - which has pulled back almost 5 per cent since the start of the year - was "undervalued" after a bumper 2013. However, he dismissed the chance of another sell-down by the private **company** that looms large on its register.

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

Like the towering SkyCoaster ride at the Sydney park, an investment in Village's shares has not been for the faint hearted. But in recent years it has been mostly upside. At the start of 2009, Village's shares

were languishing around 55¢. On Thursday they closed at \$7.11. Most analysts have a 12-month target price on Village of above \$7.80.

Asked by BusinessDay if there was likely to be a further sell-down, Burke replied: "Simple answer, no."

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

In February, Macquarie described Village Roadshow as a "well-run business with an enviable leisure portfolio", and said it had "taken steps to improve its governance" in recent years after a poor 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."

Ord Minnett analyst Nicholas 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".

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

"[20]14 will be a very good year, and I think '15 will be a remarkable year." He described films that were coming down the release pipeline as "extraordinary". Even so, to offset flat revenue or declining audiences, players like Village are rolling out products such as "**gold** class" and supersized screens, which generate more revenue at the box office.

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