

## EURO DISNEY INVESTMENT CASE STUDY

### **Euro Disney SCA – Listed operator Walt Disney’s Theme Park near Paris**

Euro Disney SCA “ED SCA” was in the process of restructuring its senior secured 1A and 1B bank debt which at the time was trading around 82 cents on face. The debt of The Walt Disney Company “TWDC” at the time was rated triple AAA however there was no express guarantee of ED SCA’s liabilities by TWDC and the market was applying a discount to the bank debt to take account of the risk that if TWDC was not able to reach a deal acceptable to the lenders it would allow ED SCA to file for insolvency.

The 1A bank debt was the joint primary obligation of ED SNC the legal entity that owned the theme park assets and ED SCA the listed company that operates the park. ED SNC had leased the theme park assets to EDA SNC which in turn had subleased them to ED SCA.

EDA SNC was a French constituted partnership under which the partners are jointly and severally liable for the obligations. TWDC was the sole partner of EDA SNC. EDA SNC was neither the primary obligor nor guarantor of the 1A bank debt.

The combined effect of i) TWDC’s partnership interest in EDA SNC and ii) the terms of the lease agreements was, that if ED SCA defaulted on its obligations by not exercising an option to renew the sub-lease then EDA SNC and its only partner TWDC would be liable to repay the 1A bank debt.

Effectively TWDC had guaranteed the debt of Euro Disney. This was not addressed in TWDC’s SEC filings although the underlying facts were available from the SEC filings of Euro Disney. The consequences were only apparent once those facts were laid out in a comprehensive capital structure chart.

See pages 2 & 3 for the capital structure chart and the lease terms addendum chart.

**The non discounted return in this case was about 17% on an approximate 20 million USD cash investment.**

**Extract of Simplified Capital & Group Structure Chart**

**1A Syndicated Bank Loans**  
**Outstanding: 377.8 million**  
**Seniority:** Senior Secured  
**Co-Obligors:** ED SNC and ED SCA  
**Collateral:** secured by Disneyland Park, Disneyland Hotel, Davey Crockett Ranch and underlying land.  
**Voting thresholds:** 50% to Accelerate Debt & enforce security; 100% to amend terms and waive payment defaults.

**Euro Disney SCA "ED SCA"**  
**Operates:** Disneyland Park, Walt Disney Studios Park, Disney Land Hotel, Davey Crockett Ranch and the golf course  
**Assets Owned:** Walt Disney Studio Park, Disney Land Hotel, Davey Crockett Ranch, the golf course and the underlying land  
**Ownership:** Listed Company, 39% owned by TWDC.

**CDC Prets Ordinaires**  
**Outstanding: 40.6 million**  
**Seniority:** Senior Secured  
**Collateral:** secured by Disneyland Park, Disneyland Hotel, Davey Crockett Ranch and underlying land.

**CDC Prets Participatif**  
**Outstanding: 128.3 million.**  
**Seniority:** subordinated

**CDC Studio Park Loans**  
**Outstanding: 381.1 million.**  
**Seniority:** subordinated

**12 Year Sub-Lease\***  
 12 year sublease of Park Assets between EDA SNC and ED SCA .

**Euro Disney Associes SNC "EDA SNC"**  
**Assets Owned:** Various Disney Land Park attraction assets constructed subsequent to opening.  
**Ownership:** 100% TWDC

**The Walt Disney Company "TWDC"**

**CDC Prets Ordinaires**  
**Outstanding: 86.9 million**  
**Seniority:** Senior Secured  
**Collateral:** secured by Disneyland Park, Disneyland Hotel, Davey Crockett Ranch and underlying land.

**20 Year Lease\***  
 20 year lease of Park Assets owned by ED SNC to EDA SNC

**IA Partner Advances**  
**Outstanding: 304.9 million**  
**Seniority:** Junior subordinated to the Phase 1A CDC and 1A Bank Loans.  
**Other:** The partners are subject to unlimited liability for the financial obligations of ED SNC.

**CDC Prets Participatif**  
**Outstanding: 274.4 million.**  
**Seniority:** Subordinated  
**Other:** No recourse to partners of ED SNC

**Euro Disney Land SNC "ED SNC"**  
**Assets Owned:** Land, infrastructure, fixtures and personal property comprising the Disneyland Park  
**Ownership:** 83% of the shareholding partners are financial institutions and banks. 17% of the shareholding partners is TWDC

**Key**  
 Company ———  
 Loan ———  
 Lease ———

\* TWDC is liable for the obligations of EDA SNC because an SNC is a partnership not a company. The terms of the leases make EDA SNC liable for the loans issued by ED SNC which means TWDC has effectively guaranteed ED SNC's outstanding debt. See Lease Terms Addendum Chart for detailed terms.

**Lease Terms addendum to Extract of Euro Disney Simplified Capital & Group Structure Chart**

**Euro Disney SCA "ED SCA"**

**Operates:** Disneyland Park, Walt Disney Studios Park, Disney Land Hotel, Davey Crockett Ranch and the golf course  
**Assets Owned:** Walt Disney Studio Park, Disney Land Hotel, Davey Crockett Ranch, the golf course and the underlying land  
**Ownership:** Listed Company, 39% owned by TWDC.

**12 Year Sub-Lease**

12 year sublease of Park Assets between EDA SNC and ED SCA. Rental payments are equal to upstream 20 year lease payments plus 50 basis point margin. At the end of the 12 year term ED SCA has option to purchase EDA SNC lease position.

If ED SCA does exercise this option it will effectively step into the shoes of EDA SNC and take on all the benefits and obligations of the 20 Year Lease contract between ED SNC and EDA SNC.

If ED SCA does not exercise its option at year 12 then it will cease to lease the park. Under this circumstance EDA SNC has an option to terminate its 20 year lease early. To exercise this option EDA SNC must pay 75% of ED SNC's outstanding debt and further has the right to take over the Park assets subject to paying off the remainder of ED SNC's debt to the extent it can from the sale of the Park assets - any excess value belonging to EDA SNC. Because EDA SNC is a partnership and because TWDC is the sole partner, EDA SNC's liabilities are in effect the liabilities of TWDC.

**Euro Disney Associes SNC "EDA SNC"**

**Assets Owned:** Various Disney Land Park attraction assets constructed subsequent to opening.  
**Ownership:** 100% TWDC

**The Walt Disney Company "TWDC"**

**20 Year Lease**

20 year lease of Park Assets owned by ED SNC to EDA SNC. Lease payments essentially match ED SNC principal and interest debt service payments. Once those loans are repaid, ED SCA, which currently leases the assets, can buy the assets owned by ED SNC for a nominal amount. The lease includes an early termination provision exercisable at year 12 if ED SCA does not exercise its purchase option under the 12 Year Sub-Lease described above.

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\* TWDC is liable for the obligations of EDA SNC because an SNC is a partnership not a company. The terms of the leases make EDA SNC liable for the loans issued by ED SNC which means TWDC has effectively guaranteed ED SNC's outstanding debt.