**Planning New Magic At Disney**

After its success domestically, the Walt Disney Company (Disney) decided to share its magic with the rest of the world. After successfully opening Tokyo Disneyland,

Disney was moving around the world to create Euro Disneyland. The financing plan for Euro Disneyland included an initial public offering by the main project firm. The financing plan would change Euro Disneyland from an internally financed, privately owned project into a highly leveraged, publicly owned entity in which Disney would hold only a minority interest. This table provides financial projections for the first five years of operations.

**FINANCIAL PROJECTIONS FOR EURO DISNEYLAND**

(MILLIONS OF EUROS)

**YEAR 1 2 3 4 5**

**Revenues**

Magic Kingdoma €4,246 €4,657 €5,384 €5,853 €6,415

Second theme park 0 0 0 0 3,128

Resort and property 1,236 2,144 3,520 5,077 6,386

development

Total revenues 5,482 6,801 8,904 10,930 15,929

**Operating expenses**

Magic Kingdom 2,643 2,836 3,161 3,370 3,641

Second theme park 0 0 0 0 1,794

Resort and property 796 1,501 2,431 2,970 3,694

development

Total operating expenses 3,439 4,337 5,592 6,340 9,129

Operating income 2,043 2,464 3,312 4,490 6,800

**Other expenses (income)**

Royalties 302 333 387 422 717

Preopening amortization 341 341 341 341 341

Depreciation 255 263 290 296 625

Interest expense 567 575 757 708 1,166

Interest and other income (786) (788) (768) (778) (790)

Lease expense 958 950 958 962 975

Management incentive fees 55 171 477 963 1,820

Total other expenses (income) 1,692 1,845 2,442 2,914 4,854

Profit before taxation 351 619 870 1,676 1,946

Taxation 147 260 366 704 818

Net profit €204 €359 €504 €972 €1,128

aIncludes the Magic Kingdom Hotel.   
*Source:* Euro Disneyland S.C.A., Offer for Sale of 10,691,000 Shares, p. 36.

**QUESTION:**

Recalculate the value for Euro Disneyland estimated at time −3 for two cases in which the assumptions are changed to the following:

a. Revenues after year 5 grow at 6% and operating expenses grow at 5%.

b. Revenues after year 5 grow at 5% and operating expenses grow at 6%.