# THE INDUSTRY'S DIRTY SECRET

*There's a fortune to be made — just not their way.*

A candid essay for the attractions industry

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## Why I'm Writing This Down

For 33 years, I have built theme parks for other people. Many of them are big brands — more than 300 projects across the world. At the same time, I also run my own company and have built my own brands from nothing. I have stood on both sides of the fence: as the contractor who builds the giants, and as the owner who has to make the numbers work afterwards. That is an unusual vantage point, and it has shown me something the industry does not like to say out loud.

So let me say it plainly, because someone has to. Most of the theme parks being celebrated in this industry are not making money. Many of them never will. And a great deal of energy goes into making sure you never find that out.

I am not writing this to settle scores. I am writing it for the operator who is about to be talked into a project that will quietly ruin them — by consultants who will be paid, and gone, long before the truth arrives. If that is you, or someone you advise, read on. This is the conversation nobody has with you before you sign.

## 1. The Only Industry Where Nobody Proves the Numbers

Every serious industry has a profession behind it. Medicine has doctors and surgeons. Aviation has structural, mechanical and aeronautical engineers. Pharmaceuticals, automotive — real qualifications, and real consequences when you get it wrong.

And ours? We have storytellers. Imagineers. I say this with affection — storytelling is a gift — but let us be honest about what it also is: *the ability to tell a good story is, quite often, the ability to lie with a straight face.*

That would not matter, except for one thing. Ours may be the only industry on earth where nobody ever has to prove the numbers were real. When a multi-billion-dollar theme park fails, no one goes to jail. No one is even embarrassed. The press release still says “world-class.” The consultant still lists it on his portfolio. And the next town, the next government, the next investor, does the whole thing again.

We have become the industry that tells little Johnny in school he “did well for trying” — and then wonders why Johnny keeps failing. Praise without truth is not kindness. It is how failure gets repeated at scale, with public money.

## 2. Most Parks Are Not Built to Make Money — They Are Built to Move It

Here is the secret nobody says into a microphone. Around the world, most large theme parks are not built to make money. They are built to move money.

Look at who actually owns the big parks: property developers, resort and casino operators, governments, tourism boards. For most of them, the park itself is not the business. The park is *bait.* It sells hotel rooms. It fills casino floors. It sells the condominiums next door. It markets a new township. It makes a politician look busy and visionary.

And when a park's real job is to sell something else, nobody in that boardroom ever asks the one embarrassing question: *does the park itself make money?* Because that was never the point. The park is a loss-leader wearing a smile.

This is why, from where I sit, I estimate that around 90% of the theme parks in Asia are losing money. Not because Asians won't spend on fun — they will — but because the parks were never designed to stand on their own. They survive only as long as the host business keeps feeding them. And the day the last condo is sold, or the subsidy dries up, the park is quietly abandoned. We have all watched it happen. We just don't write it down.

## 3. For Seventy Years the Park Hid Inside a Healthy Host. The Host Is Now Sick.

For seven decades, the theme park has hidden inside a stronger business. Whenever it lost money, the core — real estate, hotels, casinos, malls, the government's budget — absorbed the loss. The park never had to face its own P&L.

But look at those hosts today. Real estate is wobbling. Hotels are under pressure. Casinos are squeezed. Shopping malls are dying. Governments are drowning in debt. And the film industry — the great IP engine behind the biggest parks — is being eaten alive by streaming.

That is the reckoning now arriving. A park can no longer be a line item hidden inside somebody else's balance sheet. It has to become a real business: a standalone investment, responsible for its own return, on its own recurring profit. Most of today's mega-parks were never built to survive that test.

## 4. Nobody Knows What a Park Should Cost — And That Is the Whole Game

Everybody knows, roughly, what it costs per square metre to build a shopping mall, a hotel, or a condominium. You cannot inflate those numbers very far before somebody notices.

But a theme park? Who in your boardroom truly knows what one should cost? Almost nobody. And when nobody knows the real number, the real number becomes whatever the person with a vested interest says it is.

From my experience, the gap between what a park should cost — the figure someone who actually knows would quote — and what these projects are told to spend is not 10%. Not double. It is at least five times. You do not ask the barber whether you need a haircut. And you certainly do not ask the ride manufacturers and their consultants how many rides you need.

Let me give you a real example, with the names removed. In 2016 I built a water park for $6m. Around the same time, elsewhere, a group of about ten experts — flown in from all over the world — built a comparable one for $65m. Same children, same screaming, same wonderful day out. The only real difference? Mine was profitable. Theirs loses money every year.

They will tell you the cheaper equipment “isn't safe.” They mean the equipment made in China, Vietnam or Indonesia. Really? The same manufacturing base that builds BYD, VinFast and the Kijang? Try running your German or Italian sports car without a single part made in China — good luck. The real difference was never safety. It was this: my $6m was my own money. Their $65m was the taxpayers'. That is this entire industry, in one sentence.

## 5. Bigger Is Not Grander. It Is Just a Deeper Hole.

Let me kill the most expensive myth in our business: that a bigger project is a better project. It is the opposite, and the logic is a chain anyone can follow.

- The higher your capex, the higher your financing cost.
- The higher your financing cost, the more visitors you need just to break even.
- Because the design was over-engineered to justify the spend, your operating costs are bloated too.
- Your maintenance bill scales with your capex. Your depreciation is monstrous.
- And the whole machine now depends on the very manufacturers who sold you the over-design in the first place.

**You did not build a theme park. You built a very expensive debt with a parking lot.**

If you want to be an Uber driver, you do not buy a Rolls-Royce — your first oil change would put you out of business, and you cannot service a Rolls at a Toyota workshop. The bigger the budget, the bigger the operating costs chained to it, forever. And what can you actually charge at the gate? In Asia, around $50 is the ceiling. So you end up with a billion-dollar cost structure trying to survive on a $50 ticket. You do not need an MBA to see how that ends.

## 6. How the Trap Is Actually Built: A Look Behind the Contract

Everything above I have learned by building and operating. But recently a fellow veteran of this industry — someone with decades of financial experience — put the corporate-finance skeleton on the bones of what I have been saying. His analysis is devastating precisely because it is cold, technical, and undeniable. I will summarise it here, again with no names, because every operator in Asia deserves to understand it before they sign.

### The Capital Treadmill

A theme park is not an asset you build once and then milk. Under heavy daily foot traffic, it decays fast. To keep the doors open and stop attendance sliding, you must keep pumping capital back in — routine maintenance, periodic refreshes, and entirely new attractions just to stand still. In a recent public filing by one of the biggest brand operators, reinvestment capex ran as high as 45% of its operating cash flow. Routine maintenance and asset replacement alone can consume up to 35% of operating revenue. This is the treadmill: you run harder and harder simply to avoid falling backwards.

### The Brand Firewall — “Heads They Win, Tails You Lose”

This is the part that should stop every prospective local partner cold. When you license a famous entertainment brand, the contract is engineered to protect the brand's balance sheet from your park's performance. It works on three levels:

- **Top-line royalties:** The brand takes a percentage — anywhere from roughly 1% to 10% — of every dollar spent on tickets, merchandise, food and hotel rooms. Gross, not net. If your park turns over $1 billion but loses $200m after debt interest, the brand still walks away with its multi-million-dollar cheque.
- **Management fees:** A fixed base fee, typically 2–5% of gross revenue, is paid to the management arm — in which the brand itself usually holds the majority stake. Any incentive fee is calculated on EBITDA, before the crushing depreciation and interest ever hit the books.
- **IP monopoly:** You do not own the characters. You lease them. Your multi-billion-dollar park doubles as a giant billboard driving streaming subscriptions and global toy sales straight back to the parent company — a stream you, the local backer, never share in.

**The royalties and fees are a risk-free income stream for the brand. The net risk — all of it — sits with the local partner. Heads they win; tails you lose.**

## The Return That Isn't There

Now put the treadmill and the firewall together, and look at what is actually left for the people who put up the money.

Consider the flagship park built in a major Chinese city. An initial asset cost in the region of $5.5 billion; roughly $500m of cumulative profit distribution across its first decade; nearly 15 million visitors in a single recent year. Sounds enormous — until you divide it out. That is an annualised return on invested capital of under 1%. Far below any risk-free benchmark. For private capital, unviable.

And yet the government that backed it considers it a triumph — and here is the crucial insight: the government is not playing the same game you are.

## Why Governments Win Where Private Investors Are Wiped Out

This is the misconception at the very heart of the mega-park delusion. Private investors copy the playbook of sovereign wealth funds and government-linked corporations — without realising those players are not chasing profit at the gate at all.

A government builds the park to capture what it calls *macro multipliers.* In that Chinese city, for every 1 yuan spent inside the park gates, an estimated 8 yuan of economic activity is generated across the wider city — hotels, aviation, retail, high-speed rail. That velocity lifts regional GDP, feeds billions in hotel and sales taxes back to the state, and lets the government capture the soaring value of the surrounding land it happens to own and lease.

A private investor owns only the inside of the gate. You cannot levy a hotel tax. You cannot charge a rail fare. You cannot monetise a half-per cent bump in regional GDP. You bear all of the localised capex weight and receive none of the regional reward. The sovereign plays a 30-to-50-year game for the whole city; you are a private fund with a 5-to-7-year horizon and a double-digit hurdle rate. It is not a fair fight, and it was never designed to be one.

Still, the key question I'd ask is this: do we really need to import a Western business model to create that economic spin-off? I don't believe we do. That multiplier comes from the crowd and the city around it — not from the brand on the gate that is overall proven to be a failed business model.

### The Cautionary Tale of the European Capital

If you want to see how the private-equity version ends, look at the famous park opened outside a European capital in 1992. It was launched with an aggressive 72% debt-to-equity structure. The moment attendance dipped below projections, operating income simply could not service the bank debt. What followed was the systematic destruction of shareholders across roughly a quarter-century:

- 1994 — creditor banks forced to write off around $1.7 billion in bad debt.
- 2004 — a recapitalisation to stave off insolvency.
- 2014 — an emergency bailout converting toxic debt to equity, diluting investors to near nothing.
- 2017 — the brand parent spends around $2 billion to buy out the ruined public float and quietly delist the whole thing.

Its most recent record year still tells the same story: revenue of about $3.5 billion, and a net profit of just $98m — a margin of 2.8%. The most famous brand on earth, the best location in Europe, more than three decades of trying, and it has survived on rescues, not returns. My own little park in Penang runs a net margin above 35%. Tell me again which model is broken.

### The One Exception — And Why It Proves the Rule

There is one internationally branded mega-park, in a major Asian capital, that is genuinely, privately successful. And the way it is structured tells you everything. The local operator owns 100% of it. The global brand holds zero equity and bears zero capital risk — it simply collects a fixed royalty of around 7%. The operator kept all the operational upside, owns the underlying coastal land, sits on top of a dense affluent market of over 35 million people, and controls its own supply chain for better margins.

In other words, the only branded mega-park that works for its owner is the one where the owner *refused the standard joint venture* — kept ownership, kept the land, kept the upside, and reduced the brand to a fixed-fee licensor. That is not the deal being sold to hopeful operators across Asia. The standard deal is the firewall. This exception simply proves the rule.

## 7. “But the Results Are a Record!” — Meet the Magic Word

Somebody always asks: “Sim, if these parks lose money, why do we keep hearing about record results?” Good question. Here is your homework: try to find the actual net profit of any famous mega-park. Google it. Ask your AI. You will be told about record crowds and record attendance. But push for the one number that matters — net profit after everything — and watch what they hand you instead.

EBITDA is a number invented by people who do not own the business to describe a business that is not making money. It is the financial equivalent of saying: “apart from the iceberg, the Titanic had a lovely voyage.” Their favourite hiding place inside that word is depreciation — “it's non-cash,” they purr, “add it back.” But in a theme park, depreciation is not a fiction. Unlike a building, the rides genuinely wear out and must be replaced. The money really does leave. Borrowed money must be repaid. Interest and tax must be paid.

An owner measures profit — net profit, after tax, after everything. An employee measures attendance. A consultant measures EBITDA. Three people, three scorecards. Now you know which one is talking to you.

## 8. The Customer Is Being Priced Out of the Fun

Leisure should never be the number-one priority in a family's budget. So when people go into debt just to afford a day out, something is seriously wrong.

In 1971, a ticket to the most famous park on earth cost $3.50. If it had merely tracked inflation, it would be about $30 today. The actual gate price now is over $160. And here is the number that should stop this industry cold: a US survey of parents who took their children to those parks found that 45% went into debt to do it, with an average of around $2,000. Nearly half your customers have to borrow money just to walk through your gate. That is not a healthy business. That is a luxury trap.

## 9. You Are Not the Customer Anymore

Every business faces changing trends; the ones that insist they don't are the ones that vanish. Where are the fax machines? Gone. The post office you grew up with? Gone. Cash? Going. The shopping mall? Going. They became irrelevant while their owners insisted everything was fine — right up until the lights went out. Consultants now politely call our industry “mature.” In business, “mature” is what polite people say when they mean “finished growing.”

The people with money to spend over the next thirty years are Gen Z and the millennials — and the law of the universe holds: whatever the parents think is cool, the children find embarrassing. Our music. Our clothes. And yes — our rides. A mechanical roller coaster, named after a superhero, painted to look like a movie: to a nineteen-year-old, that is their dad turning up in skinny jeans.

To them, all coasters feel the same. I do not care how many G's, how many loops, what top speed, which blockbuster you licensed. Another loop is a *tweak* — you changed the number, not the form. The thing is fundamentally what it was in 1955. Imagine we were all still using Nokia phones: slicker models every year, better colours, but still just making calls. That is today's theme park. A faster version of 1955.

## 10. We Are Not Them: The Cultural Mistake at the Root of It All

Why do parks fail more in Asia than in the West? Because we keep importing business models built for people who do not live here. The mismatch is not commercial. It is cultural.

Look at where an Asian family's money actually goes: the home, the car, the children's education. Leisure is the little one at the very end of the queue — whatever happens to be left over. Westerners spend proportionally far less on house and car than we do, and far more on their holidays. Fifty years ago, while they were already travelling the world for leisure, many of us were still working to put food on the table. That history does not vanish in a single generation, and no marketing campaign will erase it.

So when a consultant tells you to drop a multi-billion-dollar Western mega-park into an Asian market, it is like Grab or Gojek telling all their drivers to switch to a Mercedes. It does not mean Asians won't spend on fun. It means the ticket price has to be lower — and that, precisely, is where the money is.

## 11. There Is a Fortune to Be Made — Just Not Their Way

I have spent most of this essay on the disease. Let me spend the rest on the cure, because I am not a pessimist about this industry. I am one of its optimists. I simply believe the fortune is on the other side of the table from where everyone is looking.

Your customers for the next thirty years are Gen Z and the millennials. Stop trying to change them or even to fully understand them. Just give them what they actually want: immersive, experiential things they are proud to share — not a ride on their dad's coaster, which they are too embarrassed to post to their thousands of online friends. And they want fun *often* — many times a year, not once — which means lower ticket prices, the way budget airlines and Airbnb unlocked travel by making it cheap and frequent.

**What is going away:**

- Cinemas.
- Shopping malls.
- Traditional, mechanical theme parks.
- Bowling alleys.

**What is coming in:**

- Reconnection with nature — the national-park instinct.
- Real experiences: biking, kayaking, zip-lining.
- Camping, which is growing fast.
- Fun activities inside big repurposed buildings — even an abandoned shopping mall.
- Immersive virtual reality.
- Self-directed adventure parks, where guests choose their own activities with far fewer queues.

### The Rule of Thumb They Hope You Never Learn

Move away from the expensive skinny jeans. Stay away from the consultants and the experts. And remember one simple ratio. A capex of $10 billion needs roughly $1.6 billion in interest and loan repayment every year for ten years. A capex of $10m needs about $1.6m a year over the same ten years. Same structure — a thousand times lighter. One number decides whether you spend the next decade drowning or sailing.

This is the model I have built my life on. Lower capex. Our own intellectual property instead of a rented brand with its hand permanently in the till. Low-technology, non-mechanical attractions that cost a fraction to maintain. Simpler operations, lower utilities, and a ticket a real Asian family can actually afford. Yes, the ancillary spend is lower too — I am honest about that. But the result is not a crater. It is real, bankable, recurring profit. My parks walked straight through a global pandemic and came out the other side profitable. Built with imagination, not a chequebook.

## Final Words from the Bad Boy

This dirty secret has stayed hidden for a long time — and it has stayed hidden for a reason. It protects the experts, the consultants, and the brand licensors whose livelihoods depend on you never doing the arithmetic yourself. I have no such livelihood to protect. I only have three-and-a-half decades of scars, and a stubborn belief that this industry can be honest and profitable at the same time.

Asia is not a smaller market than the West. In the number of people who want to have fun, it is many times larger. Lower ticket prices, a mind-bogglingly big audience, and a generation hungry for something real: that is not a problem. That is the greatest opportunity our industry has ever had.

> *Stop joining the queue — anyone with a chequebook can stand in that line, and it ends at a cliff. Build a moat instead. Invent something. Build it for the Asian wallet. Let's not kill the golden goose.*

***— Sim Choo Kheng***

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**A note on this essay.** *Everything above is the author's personal opinion and professional experience, offered in good faith for the benefit of fellow operators. No individuals or companies are named. Financial figures are drawn from public filings, annual reports and industry reporting, and are cited to illustrate a structural argument, not to characterise any specific named party. Readers should take their own professional and legal advice before making any investment decision.*