



# QUARTERLY REVIEW

Creativity. Expertise. Partnership.



## CHAIRMAN'S CORNER



Things are finally starting to look up again! Although we continue to see signs of stress and a very slow recovery, as we predicted, consumer confidence is beginning to rebound, with

EU and US governments starting to do the right thing to cut deficits and spending.

GLP is on a roll again with three transactions closed in the first six months of 2010, two in retailing (the sale of Liberty and the acquisition of Wolseley's Irish business) and one in media (the sale of Guardian's regional newspapers to Trinity Mirror), and a deep pipeline of mandated transactions. Our hiring of Mervyn Metcalf to head the London office and the associated industry diversification efforts are paying off! In the US, we have entered into exclusivity on two transactions in the travel services and media sectors. GLP's pipeline is now as robust as it was in 2007, with transformational transactions in execution mode in the US and Europe, as well as a major transaction in South America.

In the past three months I have made trips to China and South America and was blown away by consumer development in these markets. I visited a mall in Peru that has over 24 million visitors per year and a slot casino in Buenos Aires with over 4,600 positions, averaging c.\$200 per day in slot unit win. Amazing! In Beijing, I was a panel moderator at the WTTC's Annual Summit, a summary of which forms the lead article. I am acting as Chair for the May 2011 Summit Committee in Las Vegas which will feature the first WTTC Investment Conference, co-sponsored by GLP. This will be a "must attend" event for anyone interested in the global leisure sector. Please let me know if you would like to receive an invitation.

Thanks to all of you who have supported us through 2008 and 2009, the most difficult in my 25 years in the industry. Let's hope that we've left the worst behind us and that we will collectively be able to take advantage of the opportunities on the horizon.

Best regards,

Mark Harms  
Chairman and Chief Executive Officer

## 2010 BEIJING WORLD TRAVEL & TOURISM COUNCIL SUMMIT

BY MARK HARMS

### World Travel & Tourism Council ("WTTC") Overview:

I attended WTTC's Annual Summit in my capacity as a Vice Chairman of the organization. WTTC, for those of you who don't know it, is the supranational organization representing the leading CEOs in the global travel & tourism industry. The WTTC brings together all sectors of the travel & tourism industry (airlines, distribution, gaming, hospitality, investment and services companies) with representation at the highest levels in each, so that the industry can speak with one voice to governments, other international bodies and, through the media, to the public at large. The WTTC has held an annual Summit meeting each of the past ten years, bringing together its members, government leaders and the media to discuss tourism, highlight key issues and collectively develop a path forward. The Summit has evolved into the most important gathering of the world's leaders in the travel & tourism industry. The 2009 Summit in Brazil had approximately 1,500 invited attendees and was opened by President Lula. The 2010 Summit in Beijing was opened by the Chinese Government's Tourism Minister, as well as many other high ranking officials, and was attended by close to 2,000 invited guests. WTTC research indicates that travel & tourism is one of the largest global industries, representing approximately 10% of global GDP, investment and employment. Its market share will grow appreciably over the next decade, in-line with the growth of the BRICs, N-11 and other major emerging market economies and the development of a consumer middle class, and, therefore, this sector is a key industry for GLP.

(continued on next page)



Note: Forward multiples as at 9 August 2010

Sources: Bloomberg, Thomson One Banker, Company Data, Broker Research and GLP Estimates

# 2010 BEIJING WORLD TRAVEL & TOURISM COUNCIL SUMMIT



## Key Takeaways from the 2010 Summit:

This Summit was the “coming out party” for China’s tourism industry, following on the success of the Beijing Olympics, and 2010 World Expo in Shanghai. China has made

**WTTC RESEARCH INDICATES THAT TRAVEL & TOURISM IS ONE OF THE LARGEST GLOBAL INDUSTRIES, REPRESENTING APPROXIMATELY 10% OF GLOBAL GDP, INVESTMENT AND EMPLOYMENT.**

tourism its 5th pillar of growth and economic development. In Beijing alone, the government plans to increase tourist visitation tenfold over the next five years, from 2 million to 10 million international tourists, and from 20 million to over 200 million domestic tourists. While today China has

more millionaires than the UK, even more remarkable is the creation of a new middle class. According to Goldman Sachs research, over the next ten years, the Chinese middle class will increase by almost 1 billion people, which has enormous implications for consumption patterns globally. As wealth increases, almost 30% of that consumption is estimated to be spent on travel & tourism related categories (up from less than 10% today). This adds up to trillions of dollars per year of expenditure! India is the other major demographic wave, which is longer cycle but just as inexorable. By 2030, there will be over 4 billion middle class consumers, up from around 1.5 billion today, with over 50% of that growth coming from India and China! The rest of the growth is coming primarily from the countries of the N-11, with heavy representation from the emerging Asian economies, as well as from South America. Within three years HSBC has estimated the purchasing power of the emerging market nations will overtake the developed world. This has fundamental implications for travel & tourism – its share of wallet will increase markedly (from 10% of global GDP), as will the number of people employed directly and indirectly in the

industry. If our clients are not yet figuring out how to cater to these new customers, they will need to or be left behind in the dust. The implications for investment, management and human capital are startling when one really thinks about it. For example, Intercontinental plans to hire over 150,000 new employees in China alone over the next five years to support the doubling of its operations, with virtually all of the capital supporting that growth coming from third parties in the local market.

It’s not all rosy, however. There are lots of issues that have to be addressed. I moderated a panel that included Arne Sorenson, President of Marriott; Arthur De Haast, CEO of Jones Lang LaSalle; Eduard Ettegui, CEO of Mandarin Oriental; Pansy Ho, CEO of Shun Tak (and MGM Resorts’ partner in Macau); and Chen Rong, CEO of CITS, one of the largest travel services companies in the world. We discussed key issues surrounding the tourism

**BY 2030, THERE WILL BE OVER 4 BILLION MIDDLE CLASS CONSUMERS, UP FROM AROUND 1.5 BILLION TODAY, WITH OVER 50% OF THAT GROWTH COMING FROM INDIA AND CHINA.**

opportunity in China, both in-bound and out-bound. We all agreed that there’s a huge opportunity for both inbound and outbound investment into Chinese tourism. However, there are many issues, including training and education of a large number of new employees, overcapacity

## Implications for GLP Strategy:

It was clear to us after listening to presentations by and meeting with many of the leading companies in the sector that the best approaches to the new markets in Asia are capital light, leveraging the expertise and best practices of the sector multinationals. The Asian investment opportunities will be associated with introduction of expertise (either financial

or operational engineering) that currently does not exist in these new markets. The financial and capital markets in most emerging markets are small relative to GDP with c.25% of the value of Chinese corporations being publicly listed compared with c.70% in the US. We believe major opportunities will develop to work with the leading local national champions and emerging multinationals

**ACCORDING TO GOLDMAN SACHS, GLOBAL GROWTH FOR 2010 AND 2011 IS ABOVE TREND, DRIVEN BY THE EMERGING MARKETS.**

to assist them in their global ambitions, as they will be following their customers as they start to travel globally. The first destinations for these new consumers will be regional, with ease of access (limited, if any, visa restrictions), then over time to the major tourist destinations of Europe and the USA. We are seeing this already with the explosive growth in Macau, which we identified as an early beneficiary of these demographic trends and have supported significant investment there.

According to Goldman Sachs, global growth for 2010 and 2011 is above trend, driven by the emerging markets. Goldman is projecting the long term growth rates over the next five years for the BRIC’s is in excess of 6%, for the N-11 over 5.5%, and the leading economies of South America more than 4.5%, versus the EU at 1.75% and the US at 2.25%. GLP is increasingly focusing its resources in these markets to creatively identify opportunities on a “rifle shot” basis. We have done our first deal in Asia (the \$860 million recapitalization of Galaxy Entertainment), and are working on our first deal in South America, which we believe will be of similar scale to Galaxy when completed. Ultimately we will seek representation on the ground in these markets, either with our own offices or in partnership with leading local merchant banks, or a larger institutional partner with representation throughout the targeted regions. 

# GLP DEAL ANNOUNCEMENT



## Global Leisure Partners LLP Advises on the Sale of Liberty plc

### LIBERTY



Global Leisure Partners LLP ("GLP") is delighted to announce that it has acted as financial advisor to Liberty plc ("Liberty") on its successfully completed sale to BlueGem Capital Partners LLP ("BlueGem"), a private equity firm which invests in mid-market companies, mainly in the UK and Italy.

Liberty is the British heritage brand famous for its iconic department store on London's Great Marlborough Street and

its wholesale luxury fabrics business. The total transaction enterprise value (including net debt and debt like items) was £69.0 million.

In July 2009, following strong trading in the first half of the year, Liberty announced the appointment of advisors to undertake a strategic review of the business with the aim of identifying ways in which the business could be grown and developed, both within the UK and internationally.

GLP initially provided advice on strategic alternatives available to the company and subsequently managed the sale process and the negotiations culminating in the sale to BlueGem. The sale of Liberty represents the third successful advisory transaction for GLP since the start of 2010.

We are also pleased to highlight that this deal has been listed among the "Top 10 UK 'Going Private' Deals" 2008-2010 by The Times (19 July 2010).

Mervyn Metcalf, a Managing Director at GLP who led the transaction, commented:

*"We are delighted to have advised Liberty on its successful sale to BlueGem. Through a rigorous process we are very pleased to have met our client's expectations both on price and in finding a buyer who will continue to nurture and grow this iconic British business. We believe that under BlueGem ownership, Liberty can enter the next stage of growth and continue its recent 'Renaissance'. The transaction highlights Global Leisure Partners' ability to leverage its network of industry contacts to create value for its clients."*

#### About Liberty:

The iconic Tudor-style Liberty department store is situated in London's exclusive Regent Street shopping district. It comprises approximately 70,000 square feet of retail space across six floors. Selling both third party and own-brand avant garde fashion, beauty, gifts, homeware and haberdashery, the store is well known for its eclectic range and design-led offering.

Liberty Art Fabrics is a London and Tokyo based designer and wholesale distributor of high quality printed fabrics to the worldwide fashion industry. Its design archive which dates from the late 1800s and contains more than 43,000 designs is integral to the Liberty brand.

Liberty's own-label luxury goods brand, Liberty of London, is showcased in the Liberty department store and sold through wholesale operations to fashion retailers worldwide.

In 2009 Liberty generated group revenues of £60m.

Liberty received corporate finance advice from Global Leisure Partners LLP and Cavendish Corporate Finance.

For additional information please contact Mervyn Metcalf (+44 (0) 207 016 8051).



## KEEPING TRACK OF



## LEISURE TRADING INFORMATION

	Stock Name	Share Price	Qtrly Move %	Yearly Move %	EV (US\$m)	EV / EBITDA (Fwd)
<b>Casino &amp; Gaming</b>						
Key Stocks	Las Vegas Sands	\$29.05	25%	137%	27,638	15.5x
	Wynn Resorts	\$93.76	13%	67%	13,086	13.1x
	Ladbrokes	145.8p	3%	25%	2,862	7.4x
Biggest Gainer	Groupe Partouche	€1.95	90%	31%	722	6.0x
Biggest Loser	Fields Corporation	¥105500.00	(51%)	(62%)	348	n/m
<b>Sector Average</b>			<b>3%</b>	<b>20%</b>		<b>7.5x</b>
<b>Lodging &amp; Hospitality</b>						
Key Stocks	Marriott International	\$35.64	(0%)	54%	14,602	14.1x
	Shangri-La Asia	HK\$16.20	11%	28%	8,162	18.0x
	Whitbread	1470.0p	2%	51%	5,819	8.9x
Biggest Gainer	Clapham House Group	73.5p	30%	21%	63	6.7x
Biggest Loser	Luminar Group	10.8p	(73%)	(90%)	333	8.2x
<b>Sector Average</b>			<b>0%</b>	<b>27%</b>		<b>11.2x</b>
<b>Retail &amp; Lifestyle</b>						
Key Stocks	L'Oréal	€80.28	5%	34%	63,718	12.7x
	Marks and Spencer	347.8p	0%	2%	12,050	6.0x
	Estée Lauder	\$63.93	2%	75%	7,866	6.2x
Biggest Gainer	Mulberry Group	333.5p	64%	314%	184	14.7x
Biggest Loser	Findel	6.6p	(71%)	(66%)	521	6.6x
<b>Sector Average</b>			<b>10%</b>	<b>30%</b>		<b>8.1x</b>
<b>Travel &amp; Tourism</b>						
Key Stocks	British Airways	233.4p	15%	38%	7,959	4.9x
	Expedia	\$24.53	4%	6%	6,351	6.7x
	Kuoni Reisen Holding	CHF 346.00	(3%)	(0%)	566	5.4x
Biggest Gainer	Avis Europe	229.0p	38%	69%	1,706	n/m
Biggest Loser	Hertz Global	\$10.35	(20%)	(8%)	14,331	13.3x
<b>Sector Average</b>			<b>11%</b>	<b>33%</b>		<b>7.5x</b>
<b>Health &amp; Fitness</b>						
Key Stocks	Adidas AG	€42.95	3%	39%	11,901	8.0x
	Life Time Fitness	\$38.17	4%	38%	2,203	8.4x
	Amer Sports	€8.74	0%	131%	1,795	10.2x
Biggest Gainer	Cybex International	\$1.76	16%	46%	40	5.8x
Biggest Loser	Brunswick Corporation	\$0.30	(18%)	79%	1,693	10.4x
<b>Sector Average</b>			<b>1%</b>	<b>39%</b>		<b>7.6x</b>
<b>Consumer Media &amp; Entertainment</b>						
Key Stocks	Walt Disney Company	\$35.16	1%	40%	79,985	9.2x
	BSkyB Group	712.0p	18%	32%	19,915	8.9x
	Pearson	1005.0p	2%	41%	16,693	10.4x
Biggest Gainer	Blinkx	67.0p	430%	431%	319	21.9x
Biggest Loser	Digital Marketing Group	26.5p	(12%)	(30%)	41	3.6x
<b>Sector Average</b>			<b>7%</b>	<b>36%</b>		<b>7.3x</b>

Sources: Company Data, Bloomberg, Thomson One Banker, Broker Research and GLP Estimates

Note: Information as at 9 August 2010 and sorted by change over the latest quarter.

# THE MARKETS



## Sector Performance over the Quarter

The Casino & Gaming sector is still experiencing reasonable growth, having slowed over the three months to 9 August 2010 with our index up 3% compared to 7% in the previous quarter. Macau operators continue to see impressive growth with H1 2010 GGR having increased 45% year-on-year. Las Vegas and Europe remain depressed due to continued but lessening weakness in consumer confidence.

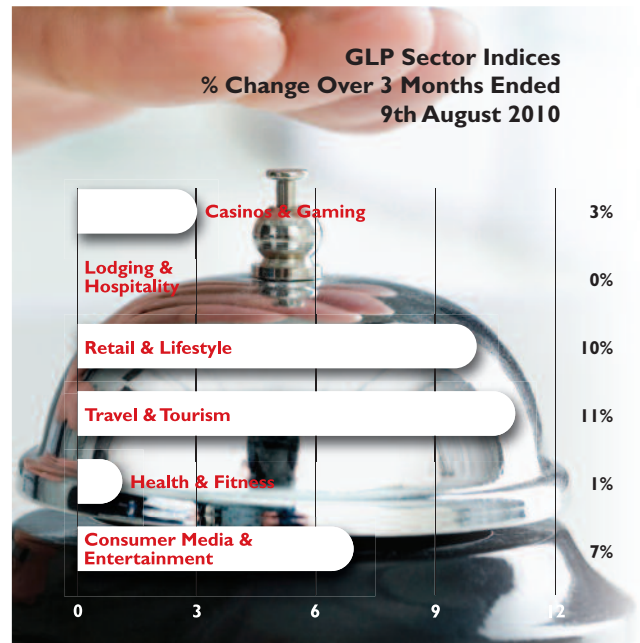
LFL sales gained momentum across the Lodging & Hospitality sector in Q2 2010. Increased business travel has influenced a healthy 6.2% growth in RevPar across the US. Upscale and midscale lodging businesses have shown significant rise in LFL RevPAR, with Accor reporting Q2 2010 RevPAR growth of 9.1%. Certain areas remain weak, in Europe in particular, including Ireland and Spain.

The Retail & Lifestyle sector has shown significant improvement over the three months to 9 August 2010, with our index up 10% against 2% over the previous quarter. This growth is led by strong demand in Asia for luxury goods and consumer spending recovery in more mature markets. Companies in the sector are actively seeking M&A opportunities for expansion to take advantage of some operators' depressed valuations due to under-investment through the cycle.

The Travel & Tourism sector is expected to experience significant investment over the next decade which is driving a rebound in stock performance correlated to strong economic growth in emerging markets. Despite a slowing economic recovery our index jumped 11% over the three months to 9 August 2010.

The Health & Fitness sector has recently shown signs of a slow down in growth, with our quarterly index up by only 1%. However on a year-on-year basis this sector is outperforming our other indices. The market shows significant stabilisation in valuation expectations, with major fitness operators in the UK rumoured to be seeking value realisation through IPO or trade sale. However, fitness manufacturers continue to grow less quickly than the sector as a whole.

The Consumer Media & Entertainment sector has had a much deserved recovery over the three months to 9 August 2010, with our index up 7%. Significant near-term growth in the sector is expected to be concentrated in the Middle East, Latin America and Asia-Pacific.



## KEEPING TRACK OF THE MARKETS

Heightened market volatility and global credit concerns were deterrents to global M&A volume in the back half of the second quarter, following an optimistic first quarter that had been driven by a resurgent equity market and the return of lending. Close to 10,000 deals collectively valued at \$585 billion were announced during the second quarter of 2010, according to Dealogic data. This represents a 7% increase of the \$550 billion of deals announced in the second quarter of 2009.

Despite market volatility, private equity funds are expected to be aggressive bidders for corporate assets for the balance of the year. Many of these funds are now considered to be "distressed buyers," as they face

pressure to invest funds or risk having to return them to limited partners. The latest Grant Thornton survey of private equity executives found that half of them felt under pressure to deploy funds, and more than a quarter of them to the extent that they are prepared to acquire assets at multiples higher than their industry average.

The lack of available financing and the need to invest capital has resulted in some of the world's largest private equity groups being forced to do smaller deals. With such highly motivated buyers and the dearth of financing available, many small to mid-size opportunities will be attracting significant interest. Investors, therefore, may not benefit from buying at an economic trough because it is not being reflected in valuations.

## LEISURE TRANSACTIONS

Month	Acquiree/ Investee	Country	Acquirer	Country	Sector	EV (\$m)	EV/ EBITDA	EV/ Revenue	Comments
Aug	Hotel Lutetia	France	Locka	NTHL	Lodging & Hospitality	145	N/A	N/A	Acquisition fits with Locka's strategy to expand its luxury hotel portfolio by acquiring landmark heritage assets in major cities with strong tourism demand
Jul	ITA Software	USA	Google	USA	Travel & Tourism	N/A	N/A	N/A	ITA Software will allow Google to build integrated flight search tools and make it easier for users to comparison shop for flights and airfares
Jun	Gala Coral Group	UK	Cerberus; JGD; Park Square Capital	USA	Casino & Gaming	N/A	N/A	N/A	Long awaited restructuring completed, whereby mezzanine lenders have converted their \$800m holding into equity and injected a further \$300m of cash into the business
Jun	Joie de Vivre Hospitality	USA	Geolo Capital	USA	Lodging & Hospitality	N/A	N/A	N/A	Joie de Vivre raised a round of funding from new investor Geolo Capital. Geolo acquired a majority stake and its Founding Partner, John Pritzker, will join the company as Chairman. The proceeds will be used for growth outside of California
Jun	Republic Retail	UK	TPG Capital	USA	Retail & Lifestyle	444	10.0x	1.5x	TPG Capital acquired a majority stake in Republic, financed exclusively with equity. Plans to double the number of Republic stores to over 200
Jun	Rocky Mountain Tours	USA	Ski.com	USA	Travel & Tourism	N/A	N/A	N/A	Ski.com acquired Rocky Mountain Tours which will continue to operate independently
Jun	Grupo Marsans	Spain	Posibilitum Business	Spain	Travel & Tourism	724	N/A	N/A	Posibilitum Business acquired Grupo Marsans with plans to sell assets, streamline operations and cut costs to return Grupo Marsans to profitability
Jun	The Body Shop Switzerland	Switz.	Coop Schweiz	Switz.	Retail & Lifestyle	N/A	N/A	N/A	The transaction accompanies a franchising agreement between Coop Schweiz and The Body Shop International plc
Jun	Figleaves Global Trading	UK	N Brown	UK	Retail & Lifestyle	17	N/A	2.0x	N Brown will work with existing management teams and this deal is part of N Brown's niche customers and product acquisition play. Figleaves appeals to a younger and more premium consumer group
Jun	Inspired Gaming Group	UK	Vitruvian Partners	UK	Casino & Gaming	270	13.9x	2.0x	The transaction will provide Inspired with a partner to support development and provide financial flexibility
May	Liberty	USA	BlueGem Capital Partners	UK	Retail & Lifestyle	99	26.9x	1.2x	Sale provided exit for majority owner MWB Group. New owner will fund growth opportunities for Liberty
May	Harrods	UK	Qatar Investment Authority	Qatar	Retail & Lifestyle	2,221	28.8x	2.1x	Mohamed Al-Fayed will remain as honorary Chairman of the luxury retailer he has owned since 1985
May	Poundland	UK	Warburg Pincus	USA	Retail & Lifestyle	300	N/A	2.5x	Sale represents Advent's successful exit, with Warburg Pincus having avoided competitive tension by submitting an offer before a full auction process could start
Apr	HobbyCraft Group	UK	Bridgepoint	UK	Retail & Lifestyle	153	13.3x	1.4x	Bridgepoint will seek to expand store footprint with up to 100 additional stores added to current portfolio of 47 stores
Apr	Cath Kidston	UK	TA Associates	UK	Retail & Lifestyle	150	7.8x	3.1x	Several PE firms were involved in a competitive auction process. Founder, Cath Kidston will retain ownership of approximately 30%
Apr	Fairmont Hotels & Resorts (40% stake)	Canada	Voyager Partners	USA	Lodging & Hospitality	N/A	N/A	N/A	Fairmont raised \$467m through issuance of common stock to Voyager Partners, who acquired a 40% stake in the company. The proceeds will be used for expansion in China and Saudi Arabia
Apr	Ladbrokes (Italian Retail)	Italy	Cogetech	Italy	Casino & Gaming	N/A	N/A	N/A	The acquisition includes betting and gaming businesses and proceeds will be used to pay down debt
Apr	Holiday Tours	South Africa	Comair	South Africa	Travel & Tourism	N/A	N/A	N/A	Controlling stake acquired but current management team will continue to run daily operations
Apr	Turbine	USA	Warner Bros. Home Entertainment	USA	Casino & Gaming	N/A	N/A	N/A	Transaction gives Warner Bros. all the game rights to the Lord of the Rings game franchise
Apr	Card Factory	UK	Charterhouse Capital	UK	Retail & Lifestyle	535	NM	2.1x	Senior management will continue to run the business under Charterhouse's ownership with Dean Hoyle, formerly majority shareholder becoming Non Executive Chairman
Mar	Deerfoot Inn & Casino	Canada	Gamehost Income Fund	Canada	Lodging & Hospitality	107	7.7x	2.8x	Acquisition of 51% stake resulting in a total holding of 91%. According to Gamehost, this positions them to take advantage of the improving economy and recent increases in consumer spending
Mar	Beacon Entertainment	UK	Praesepe	UK	Casino & Gaming	N/A	N/A	N/A	Transaction is expected to generate significant synergies to the tune of \$3m. Takes Praesepe into the mainstream bingo sector and increases their adult gaming center footprint
Mar	Tommy Hilfiger Group	USA	Phillips-Van Heusen	USA	Retail & Lifestyle	N/A	N/A	N/A	Exit for Apax Partners. The transaction will allow PVH to boost its presence in Europe and Asia. PVH expects to realize approximately \$40m of annualized cost synergies

Source: Company Filings/releases, Bloomberg, Thomson Reuters, Mergermarket, GLP Analysis  
Note: All FX rates applied at date of transaction announcement

# GLP NEWS



## 2011 WORLD TRAVEL & TOURISM COUNCIL SUMMIT AND INVESTMENT CONFERENCE

### SAVE THE DATE!

The 2011 WTTC Summit is planned for Las Vegas on May 17-19, 2011. WTTC is also holding the First WTTC Investment Conference, on May 17th and will open with a gala dinner on May 16th. I am pleased to Chair the Summit Committee for the 2011 Summit, including working as the driving force to bring to fruition the Investment Conference. I would like all of our investors and friends of GLP to save the date.

As discussed previously in this Review the WTTC Summit is the pre-eminent conference for Travel & Tourism. The WTTC Investor Conference is designed to broaden the coverage of the conference and appeal to the largest institutional investors in the world. We plan to have in attendance and as presenting companies covering over 70% of the global industry public market capitalisation, as well as the largest private companies.

The event will be anchored by approximately 35-40 members of WTTC who have agreed to present at the conference, including many of the largest airlines, hotel companies, gaming companies, travel service providers and cruise lines. We are targeting presentations by 50-60 companies in total in a combination of individual presentations and group panel discussions, as well as one on one meetings coordinated by the sponsor banks. We are targeting 500-800 investor attendees, from a list of the leading institutional investors, by invite only. We are also inviting both equity and debt investors to attend, as well as major private equity and alternative asset management companies. The attendees would also be invited to attend the Summit. GLP will be co-ordinating this event and, should you be interested in attending, please contact Mark Harms at (+44 (0) 207 016 8050) to discuss further or visit [www.wttc.org](http://www.wttc.org).

### Tim Parrott

It is with great sadness and a heavy heart that I inform you that Tim Parrott has passed away prematurely. Tim was one of my closest friends for the past 20 years. He was a true "Renaissance Man" – a visionary business leader, one of the cornerstones of the development of the gaming industry in the US, and one of the most charitable, kind, honest and charming people that I have ever met.

Tim packed a lot into a short life with a true zest for living. He had a variety of passions, first and foremost his wife and true love Jennifer and his children and grandchildren. When Tim took an interest in something, he pursued it intensely. He enjoyed fine wines and cigars (the 1961 La Tache at Lano Secco comes to mind...), flying virtually anything, from helicopters in Vietnam to seaplanes under the Brooklyn Bridge (splitting the uprights of the Manhattan Bridge with me on board), camaraderie with "the guys" at the Bohemian Grove, and shooting trips at Lano Secco (including mounting, stuffing and presentation of "roboduck"). No matter what he did and who he did it with, he had a unique gift of making one feel special and the most important person in the room. I will always treasure my adventures with Tim. In this age of instant gratification, Tim took time to enjoy the uniqueness of each person and every event, a truly rare quality these days.

Tim's unique gifts also applied in business. He was able to quickly stamp his brand of collegial culture on companies he managed, and extract the best out of his people, who were to a person loyal to him. He understood value creation, and successfully did it at Boomtown, then Pinnacle, Aristocrat and Shufflemaster. He was a driving force in developing gaming in the US, including helping to found the American Gaming Association. Tim was a founding investor in GLP, and one of our most outspoken supporters. We will all miss him immensely.

Mark

### GLP New Joiner



#### Trevor Stokes, Transaction Executive

GLP is pleased to announce the hiring of Trevor Stokes as a Transaction Executive. Trevor joined GLP's London office in July having spent five years in KPMG Corporate Finance subsequent to studying Natural Sciences at St Catherine's College, Cambridge University.

# OPERATING PARTNER



## SIR GEOFF MULCAHY GLP OPERATING PARTNER



*Sir Geoff is the former CEO of Kingfisher and is considered one of Europe's most successful retail strategists. Sir Geoff was knighted in 1993 and became Chairman of British Retail Consortium in July 2006. He is*

*currently Chairman of Javelin Group, a retail consultancy, providing strategic guidance for retailers and private equity investors.*

### What is your overall view of the UK retail market at present?

The retail market is still tough, although the past 2 or 3 years have perhaps not been as challenging as initially predicted at the onset of recession. I expect the market to continue to be tough for at least the next 2 years or so.

There are a number of factors which have contributed to this challenging environment. Economic conditions are difficult and therefore consumers are continuing to watch areas of spend. Also, consumers are ensuring that they not only receive a good price but also good 'value', which incorporates a range of factors including choice and design of product.

Whilst we are witnessing growth, specifically in the value and luxury sectors, the middle sectors are becoming increasingly squeezed. The combination of both internet penetration and advancements in mobile technology are also beginning to have a dramatic impact on consumer behavior. The effects on the retail market are perhaps more significant than those felt from the growth of out-of-town shopping centers. Whilst information on products and services has been more accessible at home over recent years, the introduction of smart phone technology is now making the information increasingly accessible at the point of sale. For example, iPhone applications allow the consumer to scan a product barcode and then search for the retailer that offers the best price.

This trend will take hold as the younger, more tech savvy, generations come through. This younger demographic is responsible for accelerating the rate at which technology is changing consumer behaviour and becoming increasingly integrated in our lives.

### In terms of investment opportunities, which sub-sectors do you believe show the most promise over the next 12-18 months? What are some of the pitfalls that are facing these retailers in the near-to medium-term?

It is clear that both the value and luxury goods sectors will be key growth areas. But the strength of the brand and the quality of the execution remain crucial to the success, or survival, of the retailer. Having core brand values in which the consumer believes and innovating to keep the brand relevant to today's customers needs, with excellent execution skills, provide the retailer with the opportunity to expand within related subsectors or diversify into other markets. John Lewis have been able to do this successfully, having translated their strong brand into the food retailing sector with Waitrose.


Retailers lacking a strong brand or the ability to innovate have in the past resorted to increasing gross margin and reducing costs in an attempt to maintain profits. However in doing so, they often erode the value of their brand leading to a vicious cycle which eventually, runs into a brick wall.

### What are your thoughts on the value segment? Will this sub-sector continue to outperform as markets recover and consumer spending habits change?

Consumers are applying an increased level of scrutiny on their spending. In doing so, they are discovering retailers that offer better value for money than their regular providers. Having become accustomed to the value that these newly discovered providers offer, following economic improvement, they will likely retain their services rather than drift back to their previous retailer.

For example, during the recession, people have eaten at home more frequently and therefore sought out premium food to buy at best value. In air travel, people have moved away from full service airlines such as BA, to budget airlines such as Ryan Air and Easy Jet. In doing so, they are increasingly conscious of the extra money that would be available for other things if they continued to use these airlines. The wheel of retailing continues to turn. Successful retailers will continue to find ways of delivering better value to their customers whether in choice, service, price or convenience. Others will simply disappear, well known or not.

### Apart from your current work with GLP as an Operating Partner, what occupies your time?

I am currently actively involved as chairman of Javelin, the retail consultancy. I also have a range of other business and charity interests. One charity which I am actively involved in helps people who have found themselves in financial difficulty due to an unmanageable debt burden. I also enjoy sailing when I find the time. Recently I won the Newport Bermuda race. 



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