



# London Tunnels

An Immersive Digital Visitor Experience in the Kingsway Exchange Tunnels

Viability Study  
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TVAC  
THE PLACEMAKERS



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# Section 1

## Executive Summary

# Executive Summary

The London Tunnels project aims to host a programme of immersive, multi-sensory, digital exhibitions in the disused Kingsway telephone exchange – a series of tunnels in central London.

The venue will offer two alternative and regularly changing exhibitions, accessed via separate entrances.

The exhibitions will be delivered by the growing number of third-party digital exhibition producers.

In addition to the tunnels (c8,300m<sup>2</sup> of space), there will be a further 2,150m<sup>2</sup> of retail, catering, ticketing, security, lift lobby and staff facilities at the two street level entrances.

The venue will also be a unique venue for functions and business events.

This innovative and exciting addition to London's tourism offer will be a 'must experience' for Londoners, tourists, schools (with free entry proposed for London school children) and business groups.

This study presents an independent assessment of its viability by consultants specialising in the international visitor attraction sector and London tourist market

# Executive Summary

## Market Review

To facilitate forecasting the level of visitors to the project, a review of the main market factors on which the project's success will depend has been conducted, the main findings being:

- London is the world's third most visited city and has nearly 20 visitor attractions attracting over 1 million visitors per year. A high proportion of visits to London are repeat visitors looking for new experiences.
- Internationally, there has been a rapid growth in immersive digital art exhibitions. Whilst temporary digital art exhibitions are likely to be held in London in the coming years, nothing comparable to the scale and scope of the proposals is likely.
- The closest comparable attractions – digital art experiences in Paris and Tokyo – attracted 1.3m and 2.3m visitors respectively in their first year of operation
- Key catchment markets which might potentially visit from home or from overnight tourist accommodation are expected to exceed over 55 million in total by 2026 when the project is expected to open. This is comparable to the combined tourist and resident population of Greater Tokyo and higher than that of Paris.
- Geographically, the project is well placed, being a short walk from existing tourist hotspots including Covent Garden and lying midway between the British Museum and Tate Modern. It is extremely well connected by public transport.
- It will support the City of London Corporation's plans transform the City into a 24/7 district and proposals to develop a cultural quarter.
- The proposed mix of offers fit well with developing tourism and leisure trends.

# Executive Summary

## Key Operating Assumptions

The key operating assumptions are that the visitor attraction will be operated by a newly formed company. The foodservice outlets will be leased to a specialist third party operator.

Visitor attraction operating hours will be 10.00am until 8.30pm in the high season and between 10.00am and 7.30pm in the low season. The attraction will open for private events outside of these hours.

The attendance projections have been analysed to evaluate the main periods of visitor demand on the facilities and a maximum number of tickets per hour will be sold to help control attendance and ensure a safe and high-quality visitor experience.

The visitor projections are based on an adult price of £38.00 for general admission (including VAT and before concessionary discounts). Added value packages including fast track, flexible entry and VIP tours will be promoted at higher prices.

A range of discounts and concessions will be available for local residents, older children, students, senior citizens, visitors on state benefits and at off-peak times. Entry will be free for children under 4 and education groups.

A large marketing budget to build awareness and promote an ever-changing programme of exhibitions is planned and London and Partners, the international trade, investment and promotion agency for London, has expressed a willingness to promote the attraction to overseas tourists.

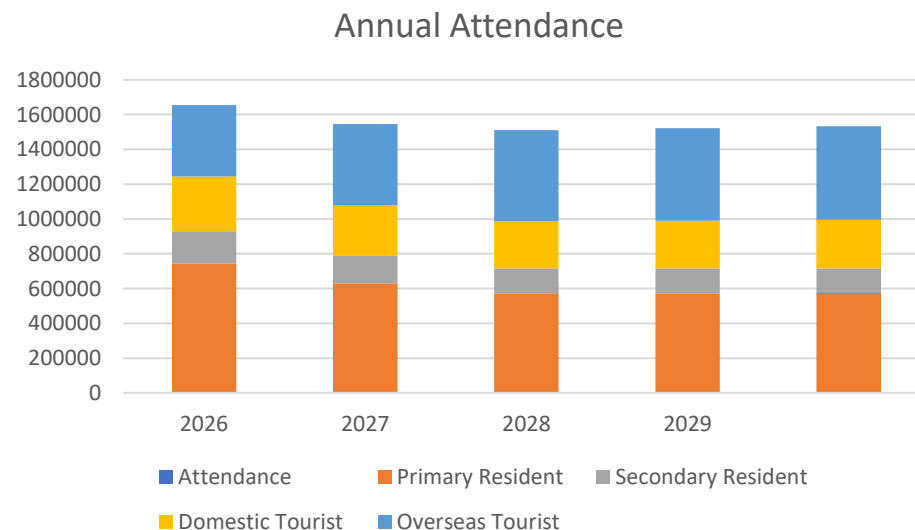
# Executive Summary

## Base Case Attendance Forecasts

Indicative attendance forecasts have been made, based upon an estimation of the likely penetration rates of each of the key markets. These penetration rates are based on a market analysis and assumptions regarding exhibition content, management, marketing, pricing and operating hours.

Attendance levels are forecast to peak at 1.65m in the first full operating year and to stabilise at approximately 1.5m per year.

These preliminary estimates need to be reviewed during a more detailed business planning process, following market testing of the concept and price sensitivity.



# Executive Summary

## Financial Projections

The financial projections assume an in-house operation by a highly experienced team of visitor attraction specialists, potentially recruited from other major London attractions.

The project will generate revenues directly from visitors and from indirect sources:

- Visitor revenues will include ticket sales, retail sales and function space hire.
- Indirect revenues will include rentals paid by foodservice tenants, commission on function foodservice and other potential income sources including sponsorship, licencing, film location fees and advertising.

Estimates have been made for each potential income stream. Operating cost estimates have been made and net incomes calculated over a period of five years from opening.

The financial estimates are for 12-month periods beginning from the expected opening date in 2026, by which time London's tourism economy is expected to have fully recovered from the effects of the Covid-19 pandemic. The business plan is expressed in 2026 prices (based on Bank Of England forecasts for inflation over the next 3 years), with an assumption of 2% annual inflation from opening.

Per visitor ticket spend is projected to rise from £29.97 (£24.98 net of VAT) in Year 1 to £31.62 (£26.35 net) by Year 5, in line with the estimated inflation rate.

Annual income from ticket sales are projected to average £37.5m per year over the 5-year period of this business case.

# Executive Summary

The café/restaurant spaces will be leased to a third-party specialist and possibly branded operator paying a rental income/service charge linked to sales. Income estimates from day visitor and function catering over the five-year period average £1.1m per year.

Retail operations will include souvenir gift and photography outlets. The main sales areas will be located in the reception buildings. Average spend per visitor to the attraction is projected to increase from £4.50 to £5.20.

In total we believe function space hire and indirect revenues can generate a further £0.4m per year in facility fees.

Income can also be generated through sponsorship and sundry income streams such as film location hire. We have provisionally assessed potential income from these sundry sources at £700,000 per year.

Total Income is estimated at £48.65m in Year 1, falling back to just under £46m in Year 3 and then rising again to £48.6m in Year 5.

The largest operating costs will be:

- Wages and salaries which we have estimated at £5.7m rising to £6.2m per year, for a full-time equivalent team of over 150 people.
- A marketing budget averaging £4m per year.
- Exhibition rental and licensing costs of over £4m per year

Other operating costs are based on industry averages for comparable large attractions.

# Executive Summary

## Base Case Estimates

The table opposite summarises the estimated base case total operating revenues and costs over a five-year period from opening.

The budgets include a contingency / sinking fund of 5% of turnover, to be set aside each year and used to refurbish and/or upgrade the experience.

The table presents the base case estimates for the project and show an estimated net annual operating profit (EBITDA) averaging over £20m per year.

The estimates show an overall operating margin of over 40%.

	2026	2027	2028	2029	2030
Tickets Sold	1,653,000	1,546,000	1,510,000	1,521,000	1,532,000
<b>INCOME</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>
Ticket Sales	£ 39,233	£ 36,466	£ 36,340	£ 37,333	£ 38,356
F&B Income	£ 1,007	£ 1,049	£ 1,107	£ 1,136	£ 1,165
Retail Sales	£ 7,439	£ 7,344	£ 7,550	£ 7,757	£ 7,969
Sponsorship & Sundry Income	£ 700	£ 700	£ 700	£ 700	£ 700
Functions	£ 270	£ 340	£ 400	£ 400	£ 400
<b>TOTAL INCOME</b>	<b>£ 48,649</b>	<b>£ 45,899</b>	<b>£ 46,097</b>	<b>£ 47,326</b>	<b>£ 48,590</b>
<b>COST OF SALES</b>					
Retail	£ 3,348	£ 3,305	£ 3,398	£ 3,491	£ 3,586
Functions	£ 41	£ 51	£ 60	£ 60	£ 60
Exhibition Hire, Licensing & Royalty Costs	£ 4,295	£ 4,014	£ 4,012	£ 4,121	£ 4,234
<b>TOTAL COST OF SALES</b>	<b>£ 7,684</b>	<b>£ 7,370</b>	<b>£ 7,470</b>	<b>£ 7,672</b>	<b>£ 7,880</b>
<b>GROSS OPERATING PROFIT</b>	<b>£ 40,965</b>	<b>£ 38,529</b>	<b>£ 38,628</b>	<b>£ 39,654</b>	<b>£ 40,710</b>
<b>Operating Cost Estimates</b>					
Labour	£ 5,700	£ 5,814	£ 5,930	£ 6,049	£ 6,170
Marketing	£ 4,865	£ 3,672	£ 3,688	£ 3,786	£ 3,887
Accommodation Costs	£ 3,041	£ 3,018	£ 3,062	£ 3,131	£ 3,200
Operating Supplies and Services	£ 525	£ 536	£ 547	£ 558	£ 569
Repairs, Maintenance & Renewals	£ 1,459	£ 2,295	£ 2,766	£ 2,840	£ 2,916
Admin and sundry costs	£ 786	£ 765	£ 773	£ 791	£ 810
Contingency	£ 2,432	£ 2,295	£ 2,305	£ 2,366	£ 2,430
<b>TOTAL OPERATING COSTS</b>	<b>£ 18,808</b>	<b>£ 18,395</b>	<b>£ 19,071</b>	<b>£ 19,521</b>	<b>£ 19,982</b>
<b>EBITDA</b>	<b>£ 22,157</b>	<b>£ 20,134</b>	<b>£ 19,557</b>	<b>£ 20,133</b>	<b>£ 20,728</b>
Margin	46%	44%	42%	43%	43%

# Executive Summary

## Sensitivity Analysis

The 'base case' does not allow for:

- any significant degree of associated IP (Intellectual Property) that could, for example, result from partnerships with international cultural institutions or technology providers
- or operation by a major brand owner.

We have therefore prepared sensitivity analysis:

1. With the same attendance levels, but at a 10% per cent higher ticket price
2. With attendance levels of 2.25m per year and a 10% per cent higher ticket price.
3. With the venue owned and operated by Warner Bros, utilising intellectual properties such as Batman, Superman and Harry Potter.
4. With the venue owned and operated by Disney, utilising intellectual properties such as Star Wars, Indiana Jones, Avatar and its portfolio of cartoon characters.

# Executive Summary

Higher ticket prices might be charged if the final product tests well with potential audiences.

With a full adult ticket price adjusted for discounts of £25.57 net in the first year, total income would rise to £51.7m in year 1, with EBITDA of £24.1m.

**@14 times EV/EBITDA  
the valuation is £337.65m**

**@18 times EV/EBITDA  
the valuation is £434.12m**

	2026	2027	2028	2029	2030
Tickets Sold	1,653,000	1,546,000	1,510,000	1,521,000	1,532,000
<b>INCOME</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>
Ticket Sales	£ 42,264	£ 40,306	£ 40,166	£ 41,263	£ 42,394
F&B Income	£ 1,007	£ 1,049	£ 1,107	£ 1,136	£ 1,165
Retail Sales	£ 7,439	£ 7,344	£ 7,550	£ 7,757	£ 7,969
Sponsorship & Sundry Income	£ 700	£ 700	£ 700	£ 700	£ 700
Functions	£ 270	£ 340	£ 400	£ 400	£ 400
<b>TOTAL INCOME</b>	<b>£ 51,680</b>	<b>£ 49,739</b>	<b>£ 49,923</b>	<b>£ 51,256</b>	<b>£ 52,628</b>
<b>COST OF SALES</b>					
Retail	£ 3,348	£ 3,305	£ 3,398	£ 3,491	£ 3,586
Functions	£ 41	£ 51	£ 60	£ 60	£ 60
Exhibition Hire, Licensing & Royalty Costs	£ 4,598	£ 4,398	£ 4,394	£ 4,514	£ 4,638
<b>TOTAL COST OF SALES</b>	<b>£ 7,987</b>	<b>£ 7,754</b>	<b>£ 7,852</b>	<b>£ 8,065</b>	<b>£ 8,284</b>
<b>GROSS OPERATING PROFIT</b>	<b>£ 43,693</b>	<b>£ 41,985</b>	<b>£ 42,071</b>	<b>£ 43,191</b>	<b>£ 44,344</b>
<b>Operating Cost Estimates</b>					
Labour	£ 5,700	£ 5,814	£ 5,930	£ 6,049	£ 6,170
Marketing	£ 5,168	£ 3,979	£ 3,994	£ 4,100	£ 4,210
Accommodation Costs	£ 3,230	£ 3,228	£ 3,274	£ 3,347	£ 3,422
Operating Supplies and Services	£ 525	£ 536	£ 547	£ 558	£ 569
Repairs, Maintenance & Renewals	£ 1,551	£ 2,487	£ 2,996	£ 3,076	£ 3,158
Admin and sundry costs	£ 817	£ 803	£ 811	£ 831	£ 850
Contingency	£ 2,584	£ 2,487	£ 2,496	£ 2,563	£ 2,631
<b>TOTAL OPERATING COSTS</b>	<b>£ 19,575</b>	<b>£ 19,334</b>	<b>£ 20,048</b>	<b>£ 20,524</b>	<b>£ 21,010</b>
<b>EBITDA</b>	<b>£ 24,118</b>	<b>£ 22,651</b>	<b>£ 22,023</b>	<b>£ 22,667</b>	<b>£ 23,334</b>
Margin	47%	46%	44%	44%	44%

# Executive Summary

This sensitivity considers the financial returns possible with an annual attendance of 2.25m per year, at the 10% higher ticket price. £25.57 net in the first year.

This being what the London Tunnels might achieve if it enters into partnerships with leading technology providers such as Samsung or LG (becoming a showcase for state-of-the-art digital technologies) and/or cultural institutions such as the Tate or British Museum and is able to present a programme of digital exhibitions linked to their collections.

Total income would rise to £69.9m in Year 1, with EBITDA of £34.3m.

**@14 times EV/EBITDA  
the valuation is £479.93m**

**@18 times EV/EBITDA  
the valuation is £617.06m**

	2026	2027	2028	2029	2030
Tickets Sold	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
<b>INCOME</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>
Ticket Sales	£ 57,512	£ 58,662	£ 59,836	£ 61,033	£ 62,253
F&B Income	£ 1,303	£ 1,417	£ 1,507	£ 1,537	£ 1,568
Retail Sales	£ 10,125	£ 10,688	£ 11,250	£ 11,475	£ 11,705
Sponsorship & Sundry Income	£ 700	£ 700	£ 700	£ 700	£ 700
Functions	£ 270	£ 340	£ 400	£ 400	£ 400
<b>TOTAL INCOME</b>	<b>£ 69,910</b>	<b>£ 71,807</b>	<b>£ 73,693</b>	<b>£ 75,145</b>	<b>£ 76,626</b>
<b>COST OF SALES</b>					
Retail	£ 4,556	£ 4,810	£ 5,063	£ 5,164	£ 5,267
Functions	£ 41	£ 51	£ 60	£ 60	£ 60
Exhibition Hire, Licensing & Royalty Costs	£ 6,257	£ 6,401	£ 6,546	£ 6,677	£ 6,811
<b>TOTAL COST OF SALES</b>	<b>£ 10,854</b>	<b>£ 11,262</b>	<b>£ 11,669</b>	<b>£ 11,901</b>	<b>£ 12,138</b>
<b>GROSS OPERATING PROFIT</b>	<b>£ 59,056</b>	<b>£ 60,545</b>	<b>£ 62,024</b>	<b>£ 63,244</b>	<b>£ 64,488</b>
<b>Operating Cost Estimates</b>					
Labour	£ 6,133	£ 6,256	£ 6,382	£ 6,510	£ 6,641
Marketing	£ 6,991	£ 5,745	£ 5,895	£ 6,012	£ 6,130
Accommodation Costs	£ 4,369	£ 4,468	£ 4,567	£ 4,658	£ 4,750
Operating Supplies and Services	£ 630	£ 642	£ 654	£ 666	£ 680
Repairs, Maintenance & Renewals	£ 2,097	£ 3,590	£ 4,422	£ 4,508	£ 4,598
Admin and sundry costs	£ 1,059	£ 1,085	£ 1,111	£ 1,132	£ 1,154
Contingency	£ 3,496	£ 3,590	£ 3,685	£ 3,757	£ 3,831
<b>TOTAL OPERATING COSTS</b>	<b>£ 24,775</b>	<b>£ 25,376</b>	<b>£ 26,716</b>	<b>£ 27,243</b>	<b>£ 27,784</b>
<b>EBITDA</b>	<b>£ 34,281</b>	<b>£ 35,169</b>	<b>£ 35,308</b>	<b>£ 36,001</b>	<b>£ 36,704</b>
Margin	49%	49%	48%	48%	48%

# Executive Summary

## Warner IP Sensitivity Analysis

With the venue owned and operated by Warner Bros, utilising intellectual properties such as Batman, Superman and Harry Potter, visitor numbers could reach 2.5 million per year.

With a ticket price adjusted for discounts of £34.60 net in the first year, the income could reach £110m - £120m.

Before any exhibition rental/development costs and any licensing or royalty payments, an annual operating profit of around £65m could be achieved.

**@14 times EV/EBITDA  
the valuation is £895.17m**

**@18 times EV/EBITDA  
the valuation is £1,150.94m**

	2026		2027		2028		2029		2030	
Tickets Sold	2,483,000		2,471,000		2,460,000		2,480,000		2,501,000	
<b>INCOME</b>	<b>('000s)</b>		<b>('000s)</b>		<b>('000s)</b>		<b>('000s)</b>		<b>('000s)</b>	
Ticket Sales	£ 85,916	£ 87,202	£ 88,577	£ 91,085	£ 93,670					
F&B Income	£ 1,530	£ 1,799	£ 2,063	£ 2,119	£ 2,177					
Retail Sales	£ 22,347	£ 23,475	£ 24,600	£ 25,296	£ 26,020					
Sponsorship & Sundry Income	£ 400	£ 400	£ 400	£ 400	£ 400					
Functions	£ 270	£ 340	£ 400	£ 400	£ 400					
<b>TOTAL INCOME</b>	<b>£ 110,463</b>	<b>£ 113,216</b>	<b>£ 116,040</b>	<b>£ 119,300</b>	<b>£ 122,667</b>					
<b>COST OF SALES</b>										
Retail	£ 8,939	£ 9,390	£ 9,840	£ 10,118	£ 10,408					
Functions	£ 41	£ 51	£ 60	£ 60	£ 60					
Exhibition Hire, Licensing & Royalty Costs	£ -	£ -	£ -	£ -	£ -					
<b>TOTAL COST OF SALES</b>	<b>£ 8,980</b>	<b>£ 9,441</b>	<b>£ 9,900</b>	<b>£ 10,178</b>	<b>£ 10,468</b>					
<b>GROSS OPERATING PROFIT</b>	<b>£ 101,483</b>	<b>£ 103,775</b>	<b>£ 106,140</b>	<b>£ 109,122</b>	<b>£ 112,199</b>					
<b>Operating Cost Estimates</b>										
Labour	£ 8,402	£ 8,571	£ 8,743	£ 8,918	£ 9,096					
Marketing	£ 11,046	£ 9,057	£ 9,283	£ 9,544	£ 9,813					
Accommodation Costs	£ 6,352	£ 6,488	£ 6,628	£ 6,777	£ 6,930					
Operating Supplies and Services	£ 950	£ 969	£ 988	£ 1,007	£ 1,027					
Repairs, Maintenance & Renewals	£ 3,314	£ 6,793	£ 9,283	£ 9,544	£ 9,813					
Admin and sundry costs	£ 1,955	£ 1,999	£ 2,044	£ 2,094	£ 2,145					
Contingency	£ 5,523	£ 5,661	£ 5,802	£ 5,965	£ 6,133					
<b>TOTAL OPERATING COSTS</b>	<b>£ 37,542</b>	<b>£ 39,538</b>	<b>£ 42,771</b>	<b>£ 43,849</b>	<b>£ 44,957</b>					
<b>EBITDA</b>	<b>£ 63,941</b>	<b>£ 64,237</b>	<b>£ 63,369</b>	<b>£ 65,273</b>	<b>£ 67,242</b>					
Margin	58%	57%	55%	55%	55%					

# Executive Summary

## Disney IP Sensitivity Analysis

With the venue owned and operated by Disney, utilising intellectual properties such as Star Wars, Indiana Jones, Avatar and its portfolio of cartoon characters, visitor numbers could reach 3 million per year

With a ticket price adjusted for discounts of £34.60 net in the first year, the income could reach £140-150m,

Before any exhibition rental/development costs and any licensing or royalty payments, an annual operating profit of around £75-80m could be achieved.

**@14 times EV/EBITDA the valuation is £1,109.15m**

**@18 times EV/EBITDA the valuation is £1,426.05m**

	2026	2027	2028	2029	2030
Tickets Sold	3,056,000	2,961,000	2,865,000	2,889,000	2,913,000
<b>INCOME</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>	<b>(‘000s)</b>
Ticket Sales	£ 105,742	£ 104,507	£ 103,163	£ 106,083	£ 109,093
F&B Income	£ 2,114	£ 2,374	£ 2,613	£ 2,685	£ 2,759
Retail Sales	£ 30,560	£ 32,571	£ 34,380	£ 35,361	£ 36,368
Sponsorship & Sundry Income	£ 400	£ 400	£ 400	£ 400	£ 400
Functions	£ 270	£ 340	£ 400	£ 400	£ 400
<b>TOTAL INCOME</b>	<b>£ 139,086</b>	<b>£ 140,192</b>	<b>£ 140,956</b>	<b>£ 144,929</b>	<b>£ 149,020</b>
<b>COST OF SALES</b>					
Retail	£ 12,224	£ 13,028	£ 13,752	£ 14,144	£ 14,547
Functions	£ 41	£ 51	£ 60	£ 60	£ 60
Exhibition Hire, Licensing & Royalty Cost:	£ -	£ -	£ -	£ -	£ -
<b>TOTAL COST OF SALES</b>	<b>£ 12,265</b>	<b>£ 13,079</b>	<b>£ 13,812</b>	<b>£ 14,204</b>	<b>£ 14,607</b>
<b>GROSS OPERATING PROFIT</b>	<b>£ 126,821</b>	<b>£ 127,113</b>	<b>£ 127,144</b>	<b>£ 130,725</b>	<b>£ 134,413</b>
<b>Operating Cost Estimates</b>					
Labour	£ 10,972	£ 11,191	£ 11,415	£ 11,643	£ 11,876
Marketing and Events	£ 13,909	£ 11,215	£ 11,276	£ 11,594	£ 11,922
Accommodation Costs	£ 7,997	£ 8,128	£ 8,256	£ 8,441	£ 8,631
Operating Supplies and Services	£ 1,150	£ 1,173	£ 1,196	£ 1,219	£ 1,243
Repairs, Maintenance & Renewals	£ 4,173	£ 8,412	£ 11,277	£ 11,594	£ 11,922
Admin and sundry costs	£ 2,441	£ 2,473	£ 2,502	£ 2,562	£ 2,624
Contingency	£ 6,954	£ 7,010	£ 7,048	£ 7,246	£ 7,451
<b>TOTAL OPERATING COSTS</b>	<b>£ 47,596</b>	<b>£ 49,602</b>	<b>£ 52,970</b>	<b>£ 54,299</b>	<b>£ 55,669</b>
<b>EBITDA</b>	<b>£ 79,225</b>	<b>£ 77,511</b>	<b>£ 74,174</b>	<b>£ 76,426</b>	<b>£ 78,744</b>
Margin	57%	55%	53%	53%	53%

# Pre-opening visits

Signing of an option to buy the tunnel will take place after the planning process has concluded, which will include public consultation.

There is likely to be a period of 6-12 months during the period from signing of the tunnels purchase option to commencement of the fit-out.

During this period, it will be possible to take up to 8 groups of up to 25 people per day to see visit the tunnels.

The tour could include small exhibitions about the history of the tunnel and a preview of the planned attraction.

With up to 200 visitors per day and a ticket price of £15.00, this could generate enough income to cover all operating costs of the preview exhibitions and generate awareness and valuable PR for the project.