

MERLIN ENTERTAINMENTS CASE STUDY

THE COMPANY

Merlin Entertainments (LSE: MERL) is the world's second-largest operator of visitor attractions. The company runs 110 attractions in 23 countries spanning four continents, including resort theme parks and iconic attractions such as SEA LIFE, Madame Tussauds and LEGOLAND Parks. Its mission: create a high-growth, high-return, family entertainment company based on strong brands and a portfolio that's naturally balanced against external risk factors.

THE BUSINESS CHALLENGE

Several years ago, with a small team and an appetite for efficiency, Merlin tasked its Treasury team to begin looking for ways to automate its reporting process. Longtime Bloomberg users of mark-to-market for their derivative financial instruments portfolio, Merlin had been relying on the system's ever-increasing sophistication and constant innovation. "The transparency of data provided by Bloomberg's swap valuation tool enabled us to challenge and change the counterpart bank's valuation," says Neil Hannaford, Merlin's group Treasury manager. However, Merlin had to leverage another vendor as Bloomberg lacked a hedge accounting module at the time. Merlin tried to integrate this vendor into its treasury workflow, but that decreased transparency, proved difficult to manage and was unreasonably time-consuming. "The previous vendor solution," Hannaford says, "did not have a particularly helpful user interface and did not provide clear reporting of hedge effectiveness."

THE BLOOMBERG TREASURY AND RISK MANAGEMENT SOLUTION

As part of its goal to create a fully integrated treasury workflow, Bloomberg built a hedge accounting platform into its offering that met Merlin's functional needs and also supported its desire to streamline its Treasury processes through one technology partner.

Since this functionality is part of the Bloomberg TRM solution, developing the necessary hedge relationships took minimal implementation for a seamless result. Employing the database



already in place for the hedge valuation process allowed for time savings—only a few minutes were needed to designate each hedging relationship, yet automating the process resulted in a savings of many hours for Merlin's Treasury team. "Bloomberg support both through the [live 24/7 help desk] and also the availability of specialists ensured that Merlin Treasury could smoothly manage the transition from the previous solution," Hannaford says.

In addition, Bloomberg's credit valuation adjustment (CVA) and debt valuation adjustment (DVA) tools allow Merlin's Treasury team to make necessary adjustments and seamlessly incorporate them into the valuation of derivatives for hedge accounting purposes. This ensures compliance with fair value accounting standards, and, because Bloomberg TRM's hedge accounting function is SOC1 certified, Merlin's auditors can rely on the control framework to satisfy their auditors—saving both time and money. "For a small Treasury, the Bloomberg solution enables the efficient valuation of derivatives and reporting of hedge effectiveness within a transparent and robust framework," Hannaford concludes, "As well, the continued addition of functionality enables Merlin to utilize the solution for ongoing and annual reporting as required by the business and accounting standards."



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