

FT REPORT - WEEKEND MONEY

Street fighter with nous wants to make a bigger splash.

By JONATHAN GUTHRIE

1498 words

29 March 2008

Financial Times

London Ed1

Page 23

English

(c) 2008 The Financial Times Limited. All rights reserved

The turning point in the life of **Mo Chaudry**, owner of Waterworld, an indoor theme park in Staffordshire, was a playground fight that never happened. Chaudry had set out to prove he could thump anyone who challenged him at the tough Luton comprehensive he attended in the 1970s. Angry rivals brought in an even bigger youth from another school to settle his hash.

"This lad was six foot 10. But I convinced him we were pawns in someone else's game and that we had nothing against each other. I told him the braver option was not to fight," recalls Chaudry, who at 47 is still built like the street fighter he once was.

He says: "I had learnt that you could get what you wanted without physical violence and that it was not such a dog-eat-dog world after all."

From this, all else has followed. Chaudry made his first million by the age of 30, a stepping stone to a personal wealth now estimated at Pounds 30m. He has turned around the loss-making Waterworld business that he bought for a knock-down price in 1999. And he has become a philanthropist, helping tough yet vulnerable kids in the mould of his younger self. Now his challenge is to expand Waterworld into a bigger, better attraction.

It is a good outcome from an unpromising start. Chaudry arrived in the UK without a word of English in 1969. He remembers his first few years here as "the most depressing period of my life". His father, Iqbal, an exsoldier who had failed in business in Pakistan, was working in a heavy engineering factory. His mother was trapped at home by her lack of English and family connections. His school life was marred by racist bullying.

The Chaudrys moved to Telford in Shropshire when Iqbal bought a grocery business there. This too failed.

"I learnt a lot from my dad," Chaudry says. "What was good about him was that he was very principled. But he lacked a grounding in the basics - for example, he did not realise that he had to pay VAT (value added tax), and he was not prudent enough."

The young Mo had meanwhile got into grammar school, where he proceeded to fail his O-levels.

"I was the first kid from that school to flunk his exams so badly," he remembers. "When I got the results I thought the U grades were Cs printed on their side by mistake."

Faced with the prospect of sweeping up in a factory for the rest of his life, he went to college and passed his Olevels and A-levels. He then got a degree in sports studies from North Staffordshire Polytechnic after narrowly avoiding expulsion when his night job as a bouncer got him into a brawl.

His property portfolio now includes a student hall of residence named after the principal who let him continue his studies.

Chaudry made his first million as an independent financial adviser and property investor. He cut his teeth selling insurance door to door for General Portfolio, a company that was later embroiled in a big pension mis-selling scandal.

Chaudry worked there for six months. That counted as long service within an organisation that the entrepreneur describes in terms too ripe for these pages.

He went independent and made his fortune, building an independent financial advisers' firm with 25 staff and yearly profits of Pounds 500,000.

Chaudry then faced the problem confronting many self-made men. It is all very well being rich, but what are you supposed to do next? The solution presented itself in 1999 when the Rank leisure group put its Waterworld visitor attraction on the market.

This was essentially a big indoor swimming pool, but with the emphasis on fun rather than ploughing up and down doing

lengths. It had been built as part of a larger Rank complex on an old British Steel site in Stoke-on-Trent.

"It was a no-brainer," Chaudry says. "Even if the business failed, I would get the best site in North Staffordshire."

The loss-making attraction had cost Rank Pounds 9m to build. The entrepreneur got it for Pounds 1.5m. He proceeded to knock it into shape in the way his father had knocked new recruits into shape in the Pakistani army.

Rates were a net Pounds 250,000 a year. A national property agent had been working for years for Rank attempting to get a rebanding. Chaudry talked the valuations officer into reducing the bill to Pounds 115,000 in the course of the morning.

"Then we cancelled all the national supply contracts set up by Rank, employed local suppliers and saved another Pounds 100,000," Chaudry says.

He also kicked off a refurbishment campaign that has cost Pounds 10m to date. Waterworld was tired and scruffy and needed updating.

Its mission is to provide "a good day out at a reasonable price". This is sensible, given that Stoke is a poor city that has struggled to reinvent itself after the decline of manufacturing industries such as ceramics.

The attraction scraped a profit of Pounds 150,000 in its first year under new management, when 280,000 visitors whizzed down the water slides and splashed around under the artificial waterfalls. This year it should make profits of Pounds 3m from 400,000 visitors.

Chaudry clearly loves Waterworld, and bounces around it greeting staff and customers.

He is proud that his team keeps it in a good state of repair in the face of heavy wear and tear. The warm, damp environment takes a heavy toll on paintwork and fittings.

Chaudry has just spent Pounds 2.5m on the first phase of a refit, putting in a new cafe and reception area alongside a women's gym and a Subway sandwiches franchise.

Phase two, due for completion next year, consists of installing serpentine water slides that weave their way in and out of the walls of the building.

Further development of the 12-acre site could include building a "snow and ice dome", which would increase footfall in the winter months when trading at Waterworld is slack.

Chaudry's main problem is finding the funds for redevelopment. He has a horror of debt and even his property business is only modestly geared.

As a result, he can only push on with the revamp at the rate that retained earnings allow him to. Further down the line he would like to open satellite Waterworlds elsewhere in the UK or in India.

"Anyone can do what I have done," he says. "It's all about belief."

Not getting in too deep should ensure Waterworld continues to thrive

Ronnie Bowker, senior partner in the Birmingham office of professional services firm Ernst & Young, says Chaudry should proceed cautiously as the economy slows:

Waterworld is a cash generative business that has prospered by giving the people of Stoke-on-Trent an affordable and enjoyable day out. However, it is dependent on consumers' discretionary spending, so it is vulnerable to any downturn in the local or national economy.

Chaudry's first defence should be good data, providing real-time customer numbers, spend per head, and item analysis. This will give him early warning of any slowdown. Then he needs to concentrate on his costs and revenue. On staff, he needs to balance flexibility with motivation and incentivisation. The business needs flexible people prepared to work outside normal hours. Incentives will encourage retention, lower staff turnover, cut recruitment and training costs and maintain levels of customer service.

Heating lots of water is energy intensive, so an energy use audit should be considered.

In the meantime, Chaudry should examine other revenue potential: the Subway franchise is a good start, well suited to his customer demographics. By standardising and segmenting his opening hours he could target a new potential pool of customers.

John Capper, national head of audit and business services for professional services firm RSM Bentley Jennison, sees risks as well as opportunities in diversification:

Mo Chaudry has created a successful tourist attraction at Waterworld that has provided a 25 per cent return on capital investment. The Phase One development has improved the quality and earning potential of one of the UK's top indoor tropical aqua parks.

A snow and ice dome seems beyond what can be achieved out of retained profits without enormous borrowing. An indoor ice skating facility may be more feasible.

The existing facilities are very attractive to younger children. Parents of older children could be persuaded to spend more time and money within the complex by the provision of complementary facilities. Waterworld's main strength is that it is unusual to find a large indoor water theme park not in a seaside resort or attached to hotel accommodation. It seems a risk to diversify too much from the existing format.

20080329M123.080

Document FTFTA00020080329e43t0005p

© 2008 Factiva, Inc. All rights reserved.