

# MERLIN ENTERTAINMENTS 2018 INTERIM RESULTS PRESENTATION

Anne-Françoise Nesmes, Chief Financial Officer



# FORWARD-LOOKING STATEMENTS DISCLAIMER

---



The information contained in this presentation has not been independently verified and this presentation contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. The words “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe” and similar expressions or variations on such expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond Merlin Entertainments plc's (the “Group's”) control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this presentation and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this document should be construed as a profit forecast.



# HI PERFORMANCE SUMMARY

Performance to date in line with expectations

- Organic revenue growth of 4.5%
- Adverse FX impact

Majority of the year's trading still to come

- c70% of annual EBITDA in H2
- London trajectory
- LEGOLAND Parks trading



# STRATEGIC PROGRESS

Opening of 644 accommodation rooms



Two new Midways



New brands



# SUMMARY FINANCIALS

*Translational FX impact in H1, and growth expected to be H2-weighted*

£ millions (unless stated)	H1 2018	H1 2017	Organic growth <sup>1</sup>	Reported growth	Like for like growth
Revenue	694	685	4.5%	1.3%	0.5%
<b>EBITDA</b>	<b>143</b>	<b>144</b>	<b>4.0%</b>	<b>(1.3)%</b>	
<i>Margin</i>	<i>20.6%</i>	<i>21.1%</i>			
Operating profit	63	73	(6.5)%	(14.3)%	
PBT	43	50		(13.7)%	
Profit for the period	33	37		(10.0)%	
Adjusted EPS	3.3p	3.7p		(10.5)%	
Operating free cash flow <sup>2</sup>	58	51		13.8%	
DPS	2.5p	2.4p		4.2%	
Revenue (as reported under IFRS 15)	709				

<sup>1</sup> Growth from like for like and New Business Development, at constant currency

<sup>2</sup> EBITDA less Existing Estate Capex



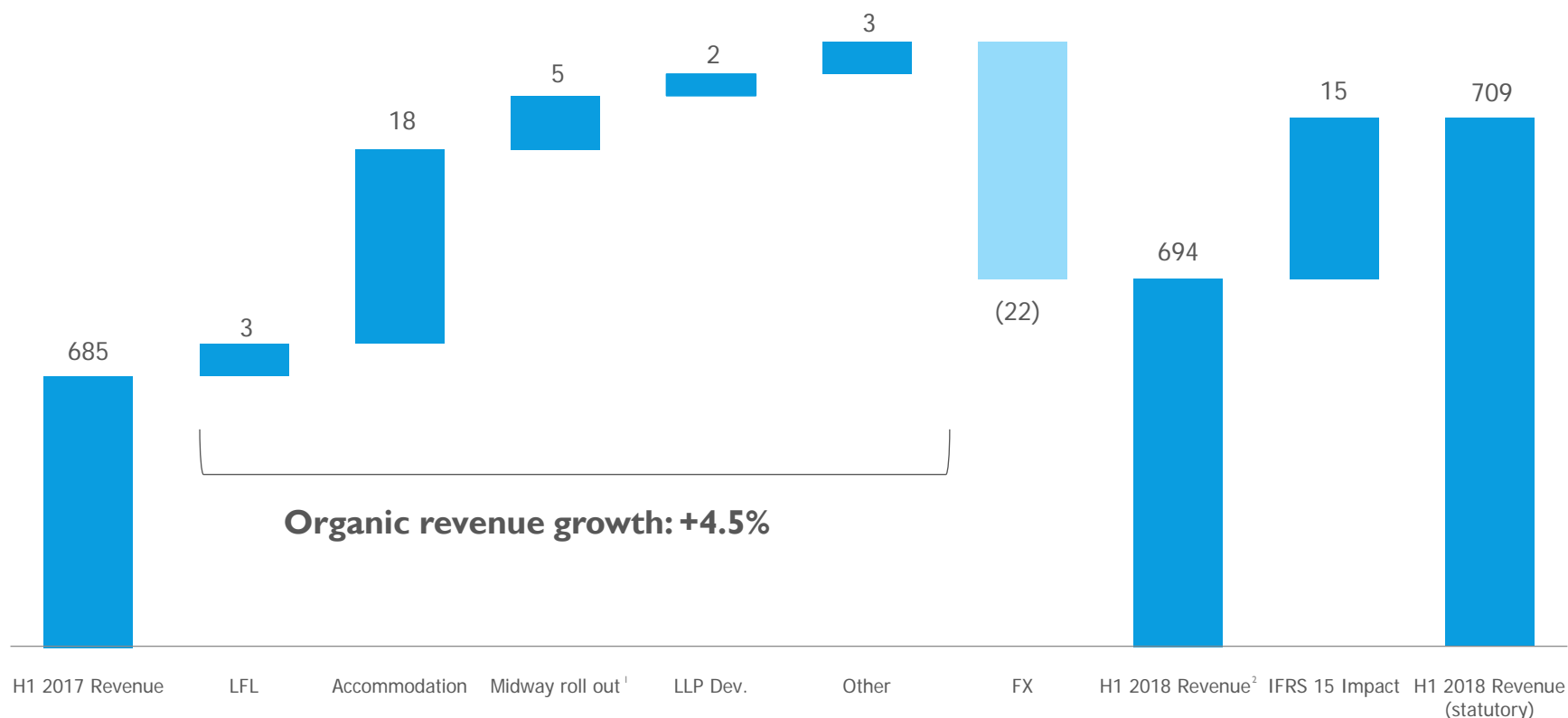
# IFRS 15 IMPACT

---

- New accounting standard in effect from 1 January 2018
- Affects revenue from certain contracts with third parties, e.g. trade sales, photos, third-party accommodation
- Standard determines whether revenue is shown 'gross' or 'net' of commission
- For comparability, growth rates and margins in this presentation are based upon revenue without the adoption of IFRS 15
- Reporting for the balance of 2018 will focus on underlying growth, with a reconciliation to statutory numbers
- Overall impact for Merlin is low
- £15m positive impact to revenue in H1'18, with an equal and opposite offset in cost of sales
- Expect c£30-35m revenue for FY
  - Midway Attractions: c£25m
  - LEGOLAND Parks: £nil
  - Resort Theme Parks: c£5-10m
- Do not anticipate changes to EBITDA

# REVENUE BRIDGE HI'17- HI'18

*New Business Development drives revenue growth, offset by FX*



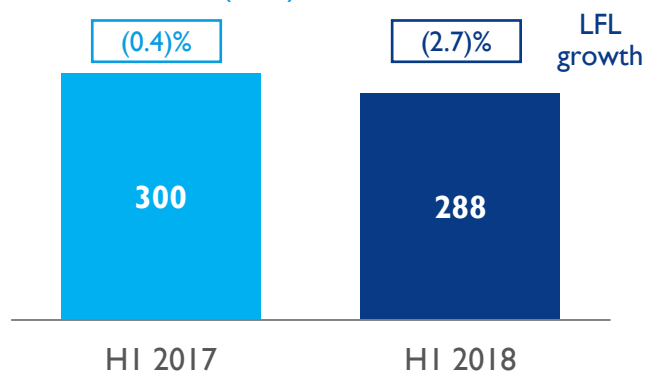
<sup>1</sup> £5m includes £1m relating to SEA LIFE Nagoya which opened in April 2018 and is reported in the LEGOLAND Parks Operating Group results

<sup>2</sup> Without the adoption of IFRS 15

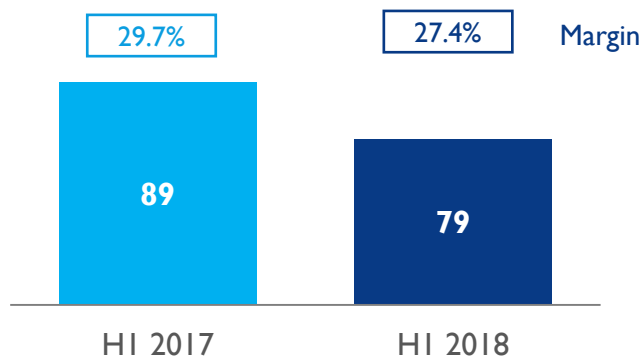
# MIDWAY PERFORMANCE

## Stabilisation in LFL trading, openings H2-weighted

### REVENUE (£m)



### EBITDA (£m)



- Organic revenue decline of (1.1)%
- LFL revenue decline of (1.7)% ex. LDC Shanghai and sales tax rebate in HI'17
- London remains the key driver of performance
  - Visitation down in HI
  - Too early to judge a recovery
- Europe impacted by warm weather
- Two new attractions opened to date<sup>1</sup>
- LFL opex growth of c1%, limiting margin decline

<sup>1</sup>LEGOLAND Discovery Centre Birmingham opened July 2018; SEA LIFE Nagoya reported under LEGOLAND Parks results



# MIDWAY ASIA: BELUGA WHALE SANCTUARY

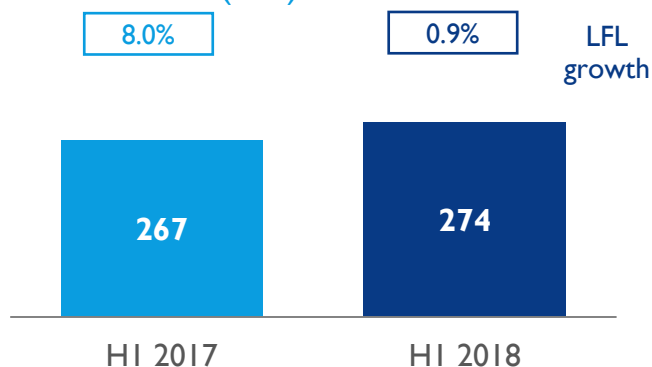


**SEA**  **LIFE**  
**TRUST**

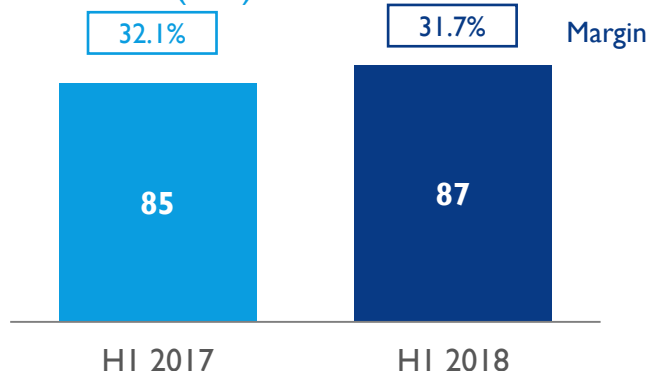
# LEGOLAND PARKS PERFORMANCE

## Softer trading due to strong comparatives

### REVENUE (£m)



### EBITDA (£m)



- Organic revenue growth of 7.8%
- Strong NBD contribution
  - 644 accommodation rooms open to date
  - Japan trends following opening year uplift
- Challenging comparatives in HI 2017
  - Strong Easter and ‘The LEGO Batman Movie’ in 2017
  - ‘NINJAGO’ roll out over 2016-17
  - LFL growth of c9% vs. 2016
- ‘The LEGO Movie 2’ in 2019
- Accommodation revenue: 22% of total revenue (2017: 17%)
- Margin flat at constant currency



# LEGOLAND JAPAN RESORT

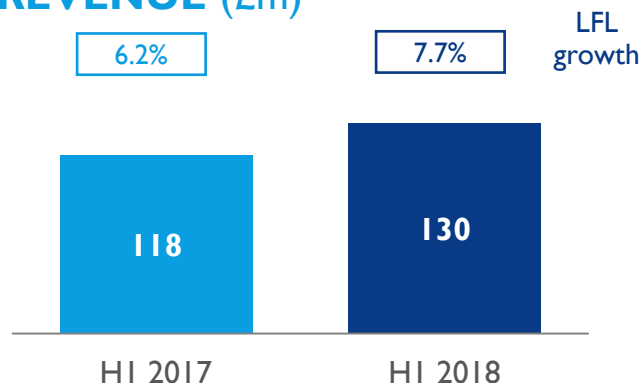
- Development into a resort through the addition of a SEA LIFE Centre and 252 bedroom hotel
- Evolution of pricing strategy
  - Visitation trajectory follows that of previous openings



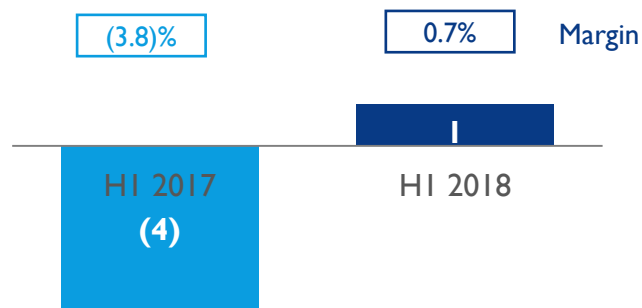
# RESORT THEME PARKS PERFORMANCE

## *Alton Towers recovery, strong product and favourable weather*

### REVENUE (£m)



### EBITDA (£m)



- Organic revenue growth of 9.7%
- LFL growth of 7.7% despite difficult comparatives
  - Continued recovery at Alton Towers
  - ‘Wicker Man’ and ‘Peppa Pig Lands’
  - Favourable weather in May and June
- Full period benefit of 76 room CBeebies Land Hotel
- Accommodation revenue: 21% of total revenue (2017: 20%)



# SUCCESSFUL PRODUCT INVESTMENT IN RTP

## *Peppa Pig Lands at Gardaland and Heide Park*



- Family visitation up 12% vs H1'17, and children under 5 years up 29%
- Highly successful retail offering

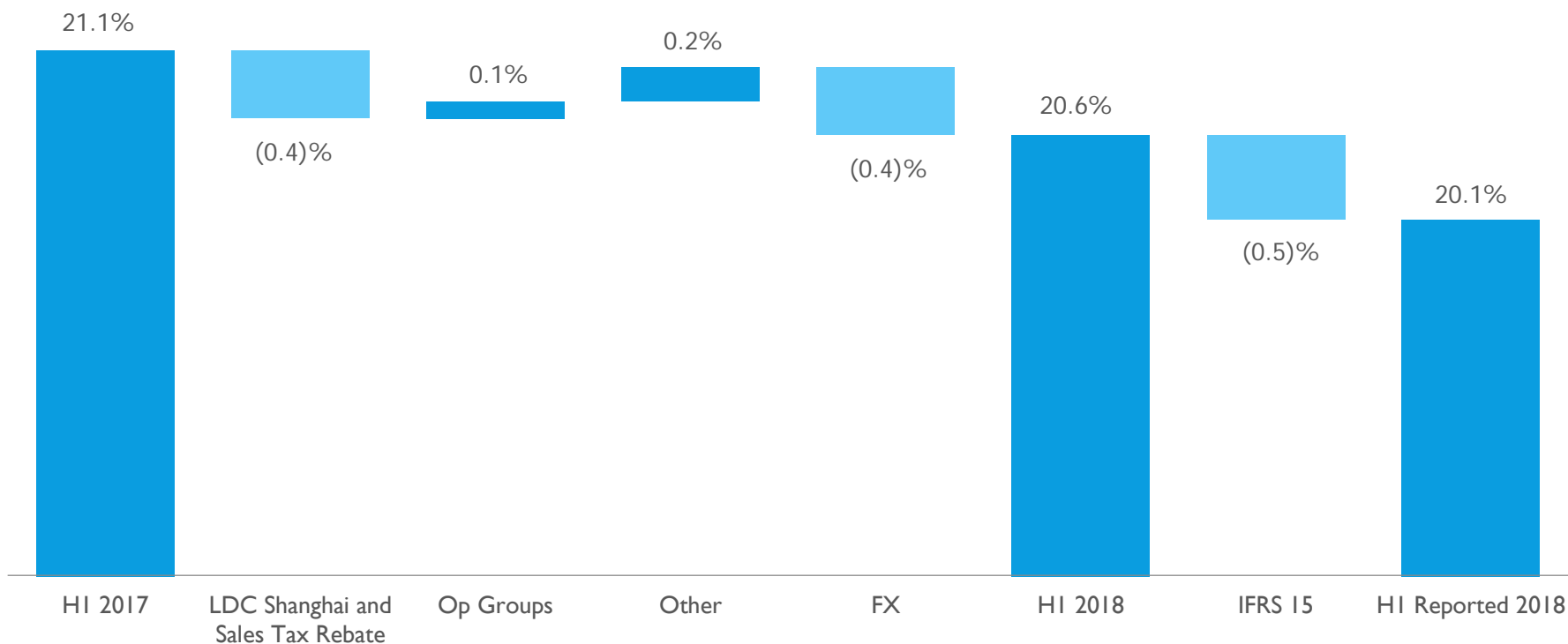


- 7,000 Junior Season Passes sold
- Child visitation +30% vs H1'17



# EBITDA MARGIN PROGRESSION

*Margin decline in line with expectations and driven by FX*



# PRODUCTIVITY AGENDA

*Global Productivity Agenda gathering pace in the context of continued cost pressures*

## Labour cost pressures

In addition to legislative pressures:



No unemployment in local area



Local competition for housekeeping and F&B staff

## Productivity Agenda

*Multiple work streams, three main strands*



Back office systems



Model evolution



Technology

# PRODUCTIVITY AGENDA

## *Model evolution: Differentiated Midway operating model project*



- Opportunity to 'simplify' the operating model for our smaller Midway attractions
- Reducing burden e.g. stock counting and reporting
- Allows GMs to remain entrepreneurial and drive innovation
- Multi-£m saving over next four years

## *Technology: Self service ticketing terminals*



- Kiosks now in four clusters
- Transaction speed 1 minute faster than tills
- 45% guests in London using tills in June '18 (80% in June '17)
- Global roll out opportunity, prioritising Midway clusters
- Average saving of >£10k per till



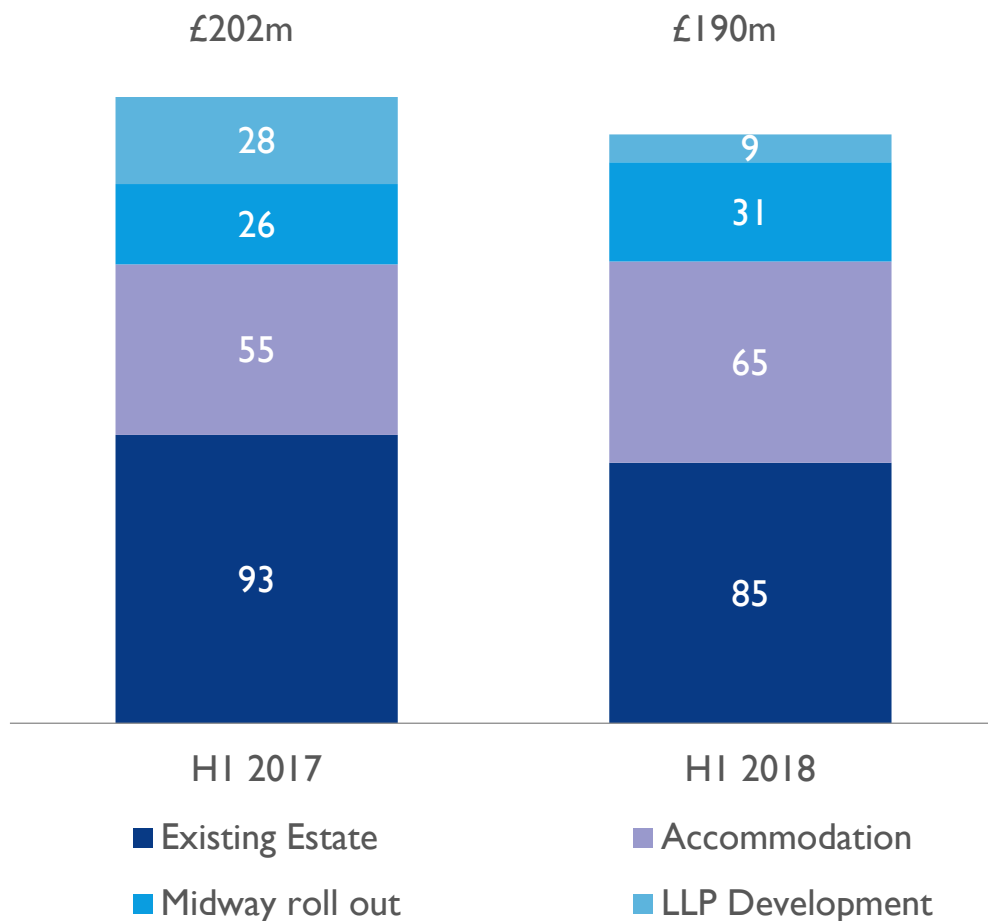
# SUMMARY P&L

*Significant adverse translational FX impact  
EBITDA growth expected to be H2-weighted*

£ millions (unless stated)	HI 2018	HI 2017	Organic growth	Reported growth
Op. Group EBITDA	167	170	2.4%	(2.2)%
Central	(24)	(26)	6.9%	7.0%
<b>EBITDA</b>	<b>143</b>	<b>144</b>	<b>4.0%</b>	<b>(1.3)%</b>
D&A	(80)	(71)	(14.9)%	(12.0)%
<b>Operating profit</b>	<b>63</b>	<b>73</b>	<b>(6.5)%</b>	<b>(14.3)%</b>
Net finance costs	(20)	(23)		15.7%
<b>PBT</b>	<b>43</b>	<b>50</b>		<b>(13.7)%</b>
Tax	(10)	(13)		24.3%
<b>Profit for the period</b>	<b>33</b>	<b>37</b>		<b>(10.0)%</b>

# CAPITAL EXPENDITURE

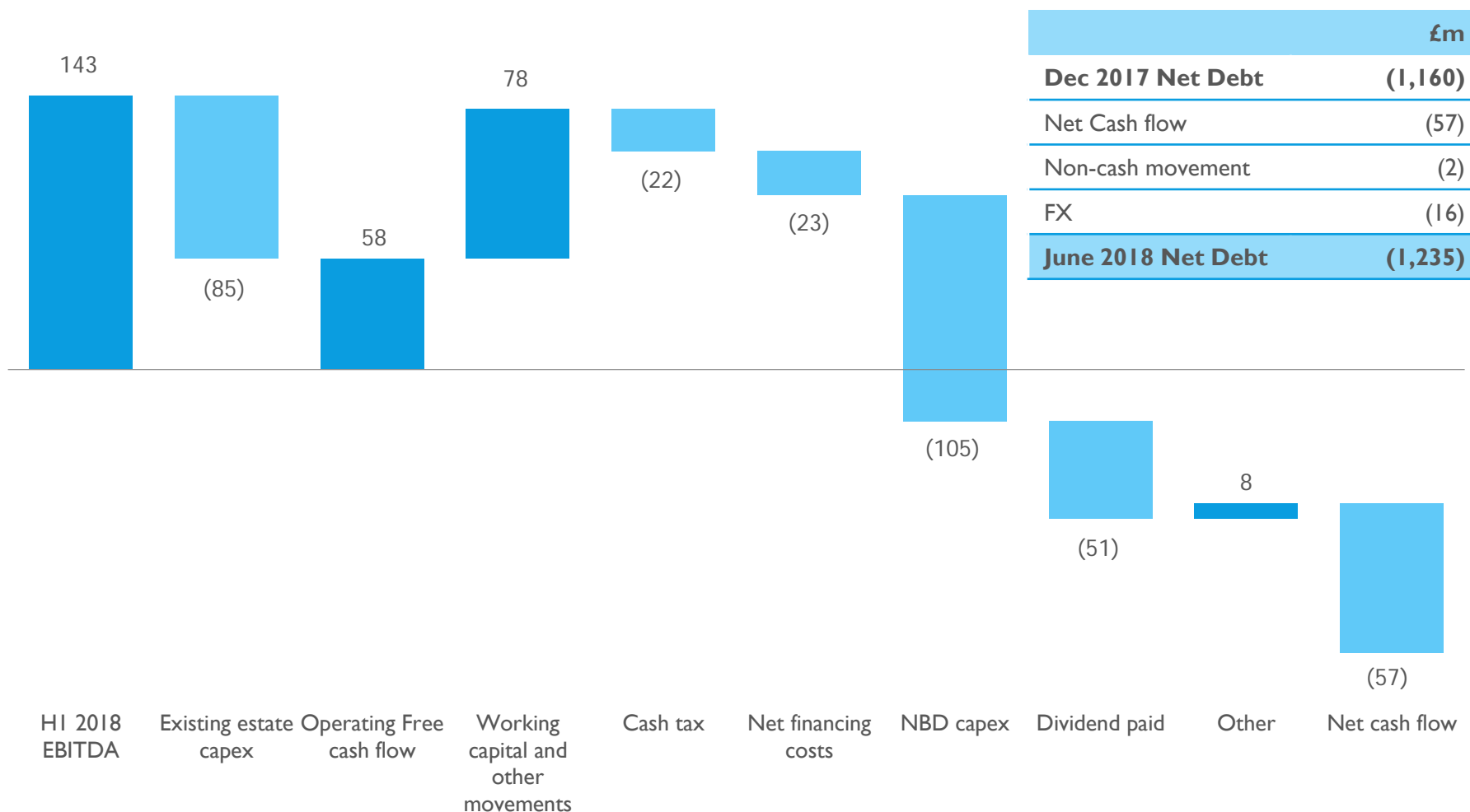
## 2018 capex guidance unchanged



- Increase in Accommodation and Midway due to greater 2018 roll out
- Expect capex of £340-360m (ex. LEGOLAND New York) for 2018
- LEGOLAND New York c£30-50m

# CASH FLOW

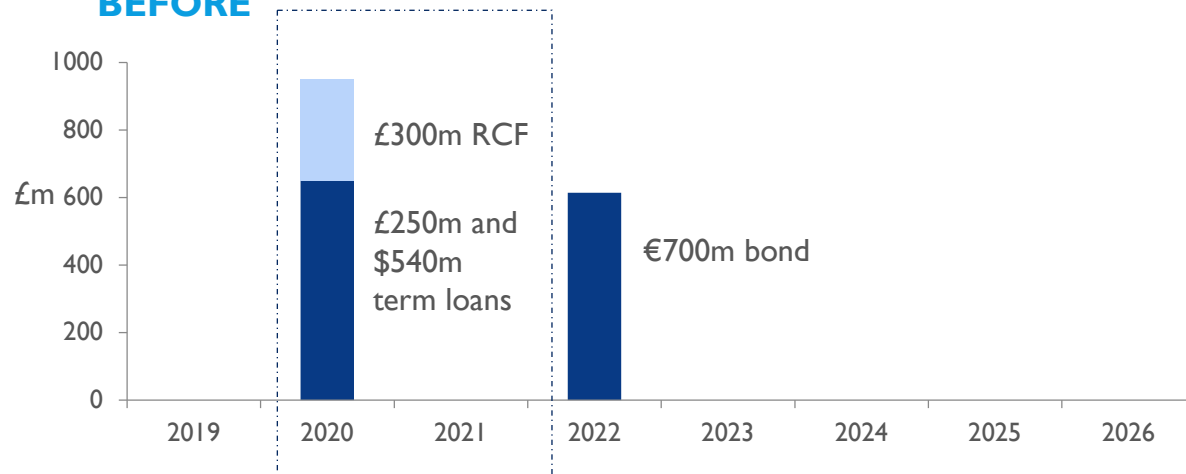
*Cash flow reflects seasonality of trading*



# REFINANCING

## *Greater flexibility and extended maturities*

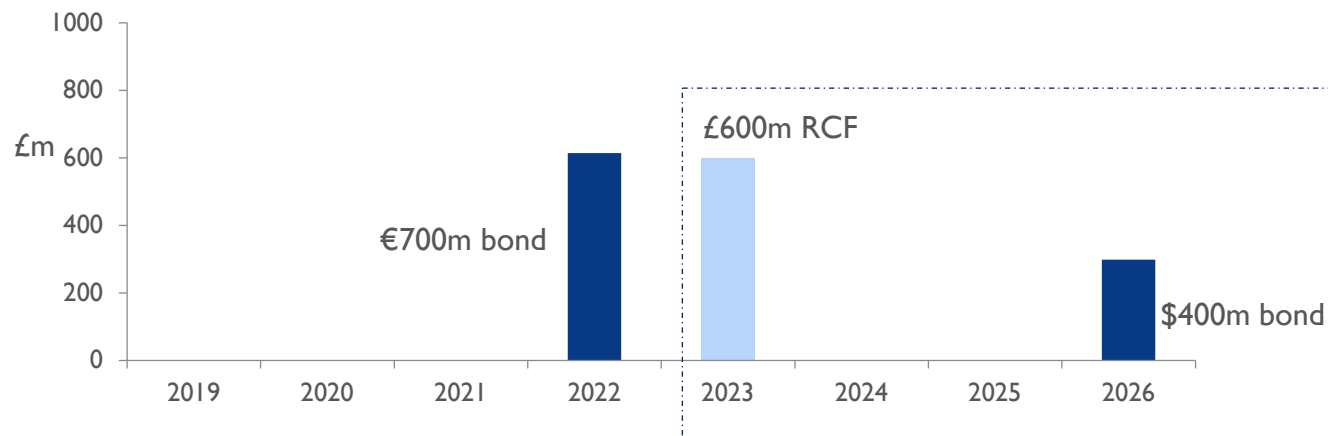
### BEFORE



### BETTER FINANCING STRUCTURE

- Extended maturities – earliest now in 2022
- More flexible and efficient funding structure
- Overall cost of financing unchanged

### AFTER





# 2018 MODELLING CONSIDERATIONS

- IFRS 15 adds c£30-35m to FY revenue,
  - No change to EBITDA
- Depreciation: c£170m
- Capex: c£340-360m<sup>1</sup>
- Central costs: c£50m
  - Study agreements accounted for in Central
- Interest charge: c£48m
- Effective Tax Rate: 22-24%
- Adverse FX impact

<sup>1</sup>Excluding LEGOLAND New York of c£30-50m



# SUMMARY AND 2018 OUTLOOK

Performance to date in line with expectations

- Organic revenue growth of 4.5%
- Adverse FX impact

Good strategic progress

- 644 new accommodation rooms and two new Midways
- Progress on New York, new brands and Productivity Agenda

Majority of the year's trading still to come

- c70% of annual EBITDA in H2
- London trajectory
- LEGOLAND Parks trading





# Q&A



Penguins celebrating World Cup success  
in SEA LIFE Paris



# APPENDIX

# MIDWAY FINANCIALS



£millions, unless stated	HI 2018	HI 2017	Reported growth	Organic growth
Revenue	288	300	(4.2)%	(1.1)%
Like for like growth	(2.7)%	(0.4)%		
EBITDA	79	89	(11.6)%	(9.2)%
Margin	27.4%	29.7%		
Operating profit	45	57	(21.1)%	(19.5)%
Margin	15.5%	18.8%		
Existing estate capex	26	28		
Revenue (IFRS 15)	300			



# LEGOLAND PARKS FINANCIALS

£millions, unless stated	HI 2018	HI 2017	Reported growth	Organic growth
Revenue	274	267	2.7%	7.8%
Like for like growth	0.9%	8.0%		
EBITDA	87	85	1.4%	7.9%
Margin	31.7%	32.1%		
Operating profit	64	67	(4.7)%	2.1%
Margin	23.5%	25.3%		
Existing estate capex	25	27		
Revenue (IFRS 15)	274			

# RESORT THEME PARKS FINANCIALS

£millions, unless stated	HI 2018	HI 2017	Reported growth	Organic growth
Revenue	130	118	10.6%	9.7%
Like for like growth	7.7%	6.2%		
EBITDA	1	(4)	nm	nm
Margin	0.7%	(3.8)%		
Operating profit	(17)	(21)	20.0%	21.5%
Margin	(13.1)%	(18.1)%		
Existing estate capex	26	29		
Revenue (IFRS 15)	133			

# COST BREAKDOWN

£millions, unless stated	HI 2018	HI 2017	Reported growth	Organic growth
Employment costs	211	206	2.7%	5.2%
% of revenue <sup>1</sup>	30.4%	30.0%		
Rent	50	51	(0.5)%	1.6%
% of revenue <sup>1</sup>	7.3%	7.4%		
Marketing	47	48	(2.1)%	0.4%
% of revenue <sup>1</sup>	6.7%	7.0%		
Other	131	125	4.2%	6.4%
% of revenue <sup>1</sup>	18.8%	18.3%		

<sup>1</sup> Based on revenue numbers excluding the adoption of IFRS 15

# MIDWAY REVENUE SPLIT

£millions, unless stated	HI 2018	HI 2017
Statutory visitors <sup>1</sup> (m)	18.6	18.9
Revenue per capita (£)	15.51	15.23
Visitor revenue	288	287
Other revenue	12	13
<b>Total revenue<sup>2</sup></b>	<b>300</b>	<b>300</b>

<sup>1</sup> Statutory visitors, excluding joint ventures and management contracts

<sup>2</sup> Revenue under IFRS 15

# LEGOLAND PARKS REVENUE SPLIT

£millions, unless stated	HI 2018	HI 2017
Statutory visitors <sup>1</sup> (m)	5.8	5.6
Revenue per capita (£)	35.18	37.70
Visitor revenue	203	209
Accommodation	61	46
Other revenue	10	12
<b>Total revenue<sup>2</sup></b>	<b>274</b>	<b>267</b>

<sup>1</sup> Statutory visitors, excluding LEGOLAND Malaysia and LEGOLAND Dubai

<sup>2</sup> Revenue under IFRS 15



# RESORT THEME PARKS REVENUE SPLIT

£millions, unless stated	HI 2018	HI 2017
Statutory visitors (m)	4.2	3.8
Revenue per capita (£)	23.98	23.70
Visitor revenue	101	91
Accommodation	28	23
Other revenue	4	4
<b>Total revenue<sup>1</sup></b>	<b>133</b>	<b>118</b>

<sup>1</sup> Revenue under IFRS 15

# FX SENSITIVITY

£millions, unless stated	HI 2018	HI 2017	% Change	Revenue impact, £m
USD	1.37	1.26	9.0%	19
EUR	1.14	1.16	(2.0)%	(2)
AUD	1.77	1.68	5.5%	2
Other				3
<b>Total</b>				<b>22</b>

£millions, unless stated	HI 2018	HI 2017	% Change	EBITDA impact, £m
USD	1.37	1.26	9.0%	7
EUR	1.14	1.15	(0.3)%	-
AUD	1.74	1.68	3.9%	-
Other				1
<b>Total</b>				<b>8</b>

Tables show the impact of translating 2018 reported results at actual, 2017 average rates

The difference in average rates is a result of the seasonality of the business with the Group's portfolio of attractions operating on different trading cycles

# NET DEBT

£millions, unless stated	HI 2018	HI 2017
Loans and borrowings	1,157	1,283
Cash and cash equivalents	(117)	(250)
<b>Net Debt (excluding finance leases)</b>	<b>1,040</b>	<b>1,033</b>
Finance lease obligations	195	203
<b>Net Debt</b>	<b>1,235</b>	<b>1,236</b>

Credit Ratings:

S&P: BB, stable outlook

Moody's : Ba2, stable outlook

# DEBT FACILITIES

	Total (£m)	Maturity	Interest rate
Drawn from £600m Revolving Credit Facility	228	2023	L/E + 1.25%
€700m Bond	620	2022	Fixed 2.75%
\$400m Bond	300	2026	Fixed 5.75%
<b>Drawn Term Debt<sup>1</sup></b>	<b>1,148</b>		
Undrawn from £600m Revolving Credit Facility	369	2023	L/E + 1.25%
<b>Total Facilities</b>	<b>1,517</b>		

<sup>1</sup>Drawn Term Debt showing net of transaction costs

# ATTRACTION COUNT



	UK		Cont. Europe		Americas		Asia Pacific				Group				
	30 Dec 17	Mov't	30 June 18	30 Dec 17	Mov't	30 June 18	30 Dec 17	Mov't	30 June 18	30 Dec 17	Mov't	30 June 18	30 Dec 17	Mov't	30 June 18
SEA LIFE	13	(1)	12	18	-	18	8	-	8	9	-	9	48	(1)	47
Madame Tussauds	2	-	2	4	-	4	7	-	7	10	-	10	23	-	23
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC	1	-	1	3	-	3	10	-	10	4	-	4	18	-	18
Eye	2	-	2	-	-	-	1	(1)	-	1	-	1	4	(1)	3
Other	1	-	1	1	-	1	-	-	-	6	-	6	8	-	8
Midway	24	(1)	23	29	-	29	27	(1)	26	30	-	30	110	(2)	108
LLP	1	-	1	2	-	2	2	-	2	3	-	3	8	-	8
RTP	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
Group	29	(1)	28	33	-	33	29	(1)	28	33	-	33	124	(2)	122

Attractions opened to date in 2018 comprise SLC Nagoya and LDC Birmingham (opened in July)

Attractions closed to date in 2018 comprise: Manly SEA LIFE Sanctuary, Cornish Seal Sanctuary and The Orlando Eye with negligible financial impact



# ACCOMMODATION COUNT

	30 Dec 17	Rooms opened	30 Jun 18
Billund (Denmark)	436	-	436
California	250	250	500
Deutschland	319	142	461
Florida	318	-	318
Malaysia	258	-	258
Windsor (UK)	209	-	209
Dubai	-	-	-
Japan	-	252	252
<b>LEGOLAND Parks</b>	<b>1,790</b>	<b>644</b>	<b>2,434</b>
Alton Towers (UK)	592	-	592
Chessington World of Adventures (UK)	254	-	254
Gardaland (Italy)	347	-	347
Heide Park (Germany)	329	-	329
THORPE PARK (UK)	90	-	90
Warwick Castle (UK)	67	-	67
Resort Theme Parks	1,679	-	1,679
<b>Group</b>	<b>3,469</b>	<b>644</b>	<b>4,113</b>

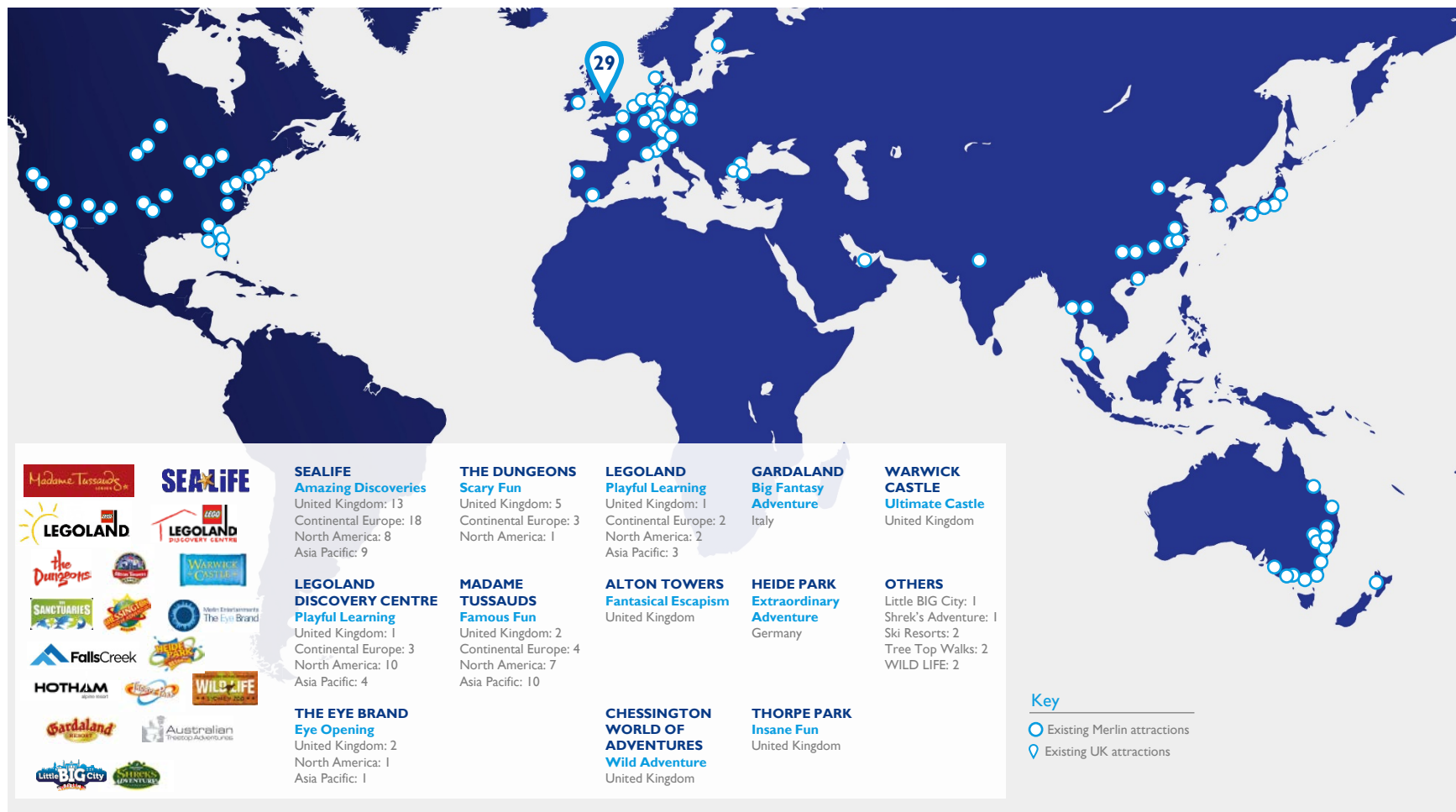
Excludes campsite pitches at LEGOLAND Deutschland and LEGOLAND Billund.

# GLOSSARY

Key terms	Definition
ARR	Average Room Rate
Cluster	A group of attractions located in a city close to one another
Constant Currency growth	Using 2017 exchange rates
EBITDA	Underlying basis, excluding exceptional items
LBC	Little BIG City
FX	Effect of movements in foreign exchange
LDC	LEGOLAND Discovery Centre
Lead price	Face value of a ticket, which may then be discounted
LFL	2018 Like for like growth refers to the growth between 2017 and 2018 on a constant currency basis using 2017 exchange rates and includes all businesses owned and operated before the start of 2017 and expected to be open at the end of 2018.
LLP	LEGOLAND Parks Operating Group
MAT	Moving Annual Total
Midway	Midway Attractions Operating Group
NBD	New Business Development
Non-core	Non-core represents those businesses which Merlin has ceased the operation of during the period

Key terms	Definition
Net Promoter Score (NPS)	An index that measures the willingness of customers to recommend a company's products or services to others
Organic Growth	Growth from like for like and New Business Development, at constant currency
Operating free cash flow	EBITDA less Existing Estate Capex
Resident Market	The total population living within a two-hour drive of the attractions
ROCE	Underlying Operating Profit after tax divided by average net operating assets
ROIC	Average EBITDA over the first five years divided by total development capex
RPC	Revenue per Cap, defined as Visitor Revenue divided by number of visitors
RTP	Resort Theme Parks Operating Group
Second Gate	A visitor attraction at an existing resort with a separate entrance and for which additional admission fees are charged
SLC	SEA LIFE Centre
Top Box Satisfaction	The top box score is the sum of percentages for the top one, two or three highest points on guest satisfaction scale.
Underlying	Underlying information presented excludes exceptional items that are classified separately within the financial statements
Visitors	Represents all individual visits to Merlin owned or operated attractions
YOY	Year on year

# WORLD OF ATTRACTIONS



As at 30 December 2017

