



2017 PRELIMINARY RESULTS PRESENTATION

1 MARCH 2018

2017 HIGHLIGHTS



Visitors

66.0m

↑3.5%

EBITDA

£474m

↑9.5%

EPS

20.5p

↑5.5%



383

New accommodation
rooms



Six

New Midway attractions



LEGOLAND Japan opened

FINANCIAL RESULTS

Anne-Françoise Nesmes, Chief Financial Officer



SUMMARY FINANCIALS



£ millions (unless stated)	2017	2016 (52 weeks)	Reported growth	Organic growth ¹	Like for like growth
Revenue	1,594	1,428	11.6%	6.6%	0.7%
EBITDA	474	433	9.5%	3.5%	1.0%
<i>Margin</i>	29.7%	30.3%			
Operating profit	323	302	6.8%	0.0%	
PBT	271	259	4.8%		
Profit for the year	209	197	6.0%		
Adjusted EPS	20.5p	19.5p	5.5%		
DPS	7.4p	7.1p	4.2%		
Operating free cash flow ²	315	292	7.8%		
ROCE	9.1%	9.6%			

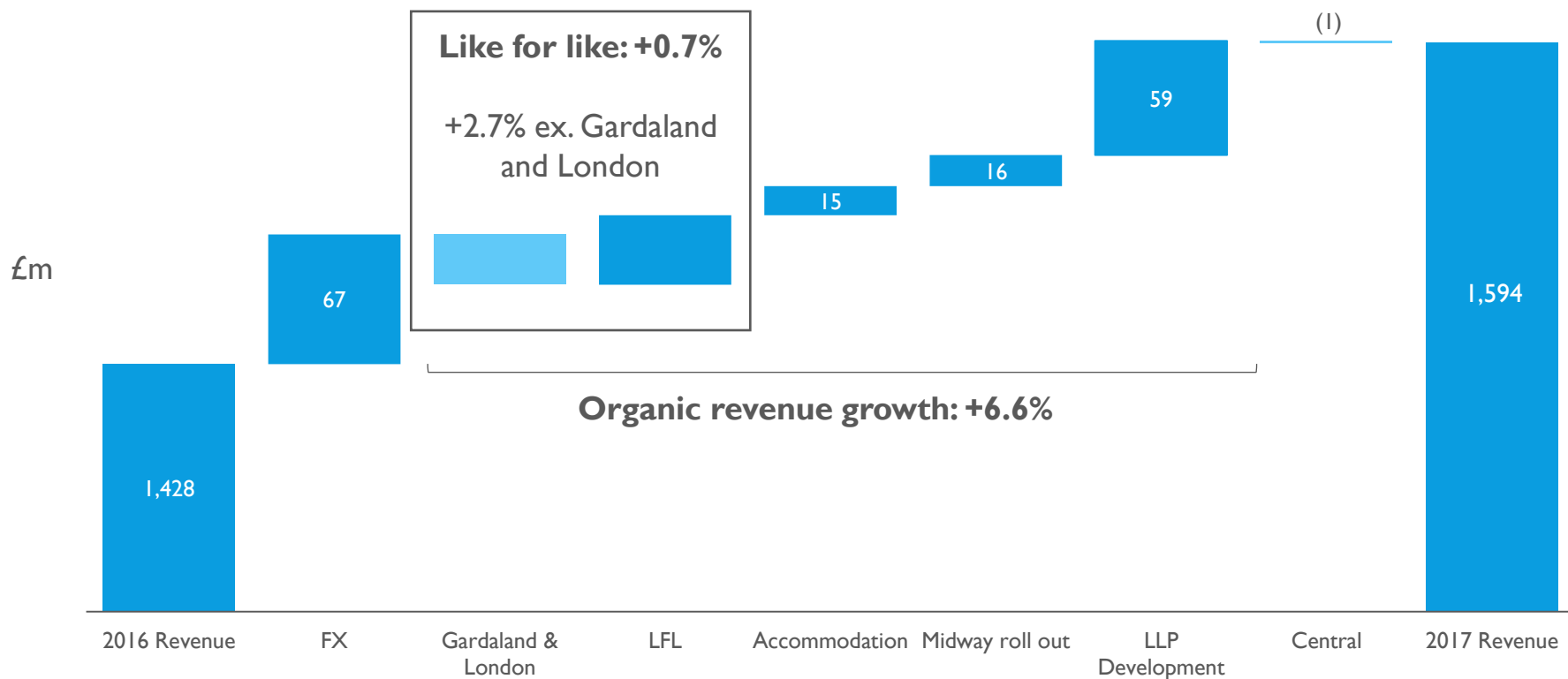
¹ Growth from like for like and New Business Development, at constant currency

² EBITDA less Existing Estate Capex

REVENUE BRIDGE 2016-17



Good contribution from New Business Development
Growth in existing estate impacted by London and Gardaland



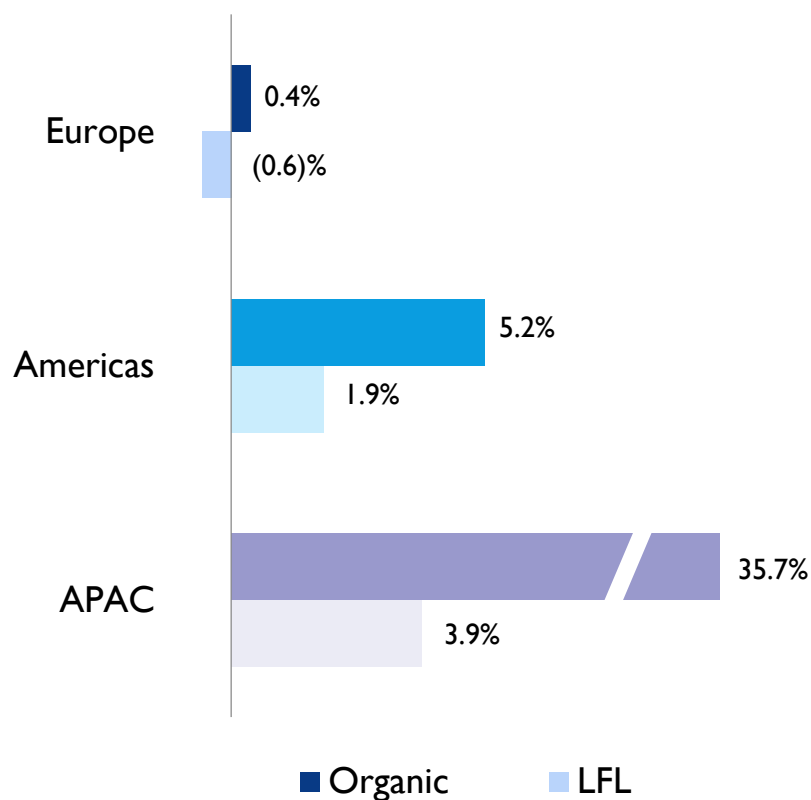
Detail of the FX impact is shown in the appendix

GEOGRAPHIC PERFORMANCE

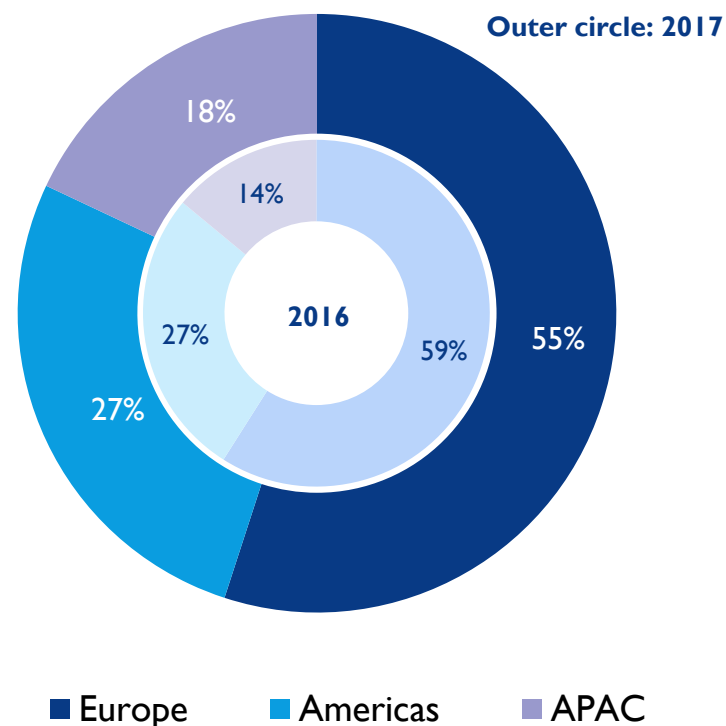


New Business Development drives increased diversification

REVENUE PERFORMANCE, BY GEOGRAPHY



REVENUE SPLIT BY GEOGRAPHY, 2017 VS 2016

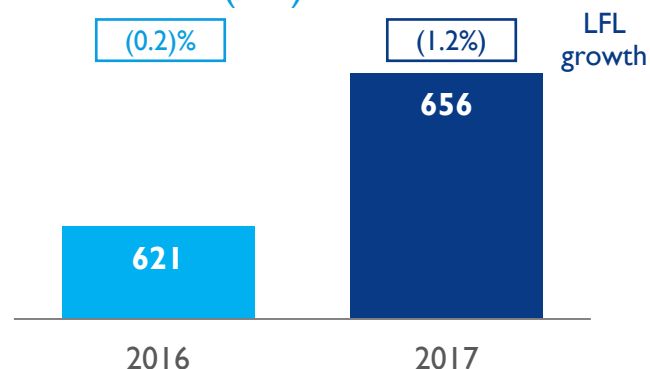


MIDWAY PERFORMANCE

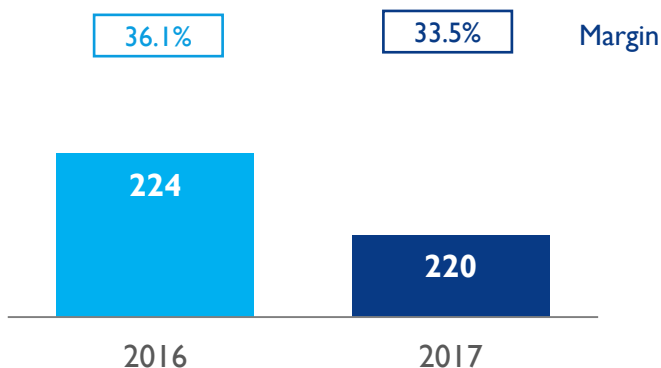


Trading in London offsets contribution from new openings and growth elsewhere

REVENUE (£m)



EBITDA (£m)



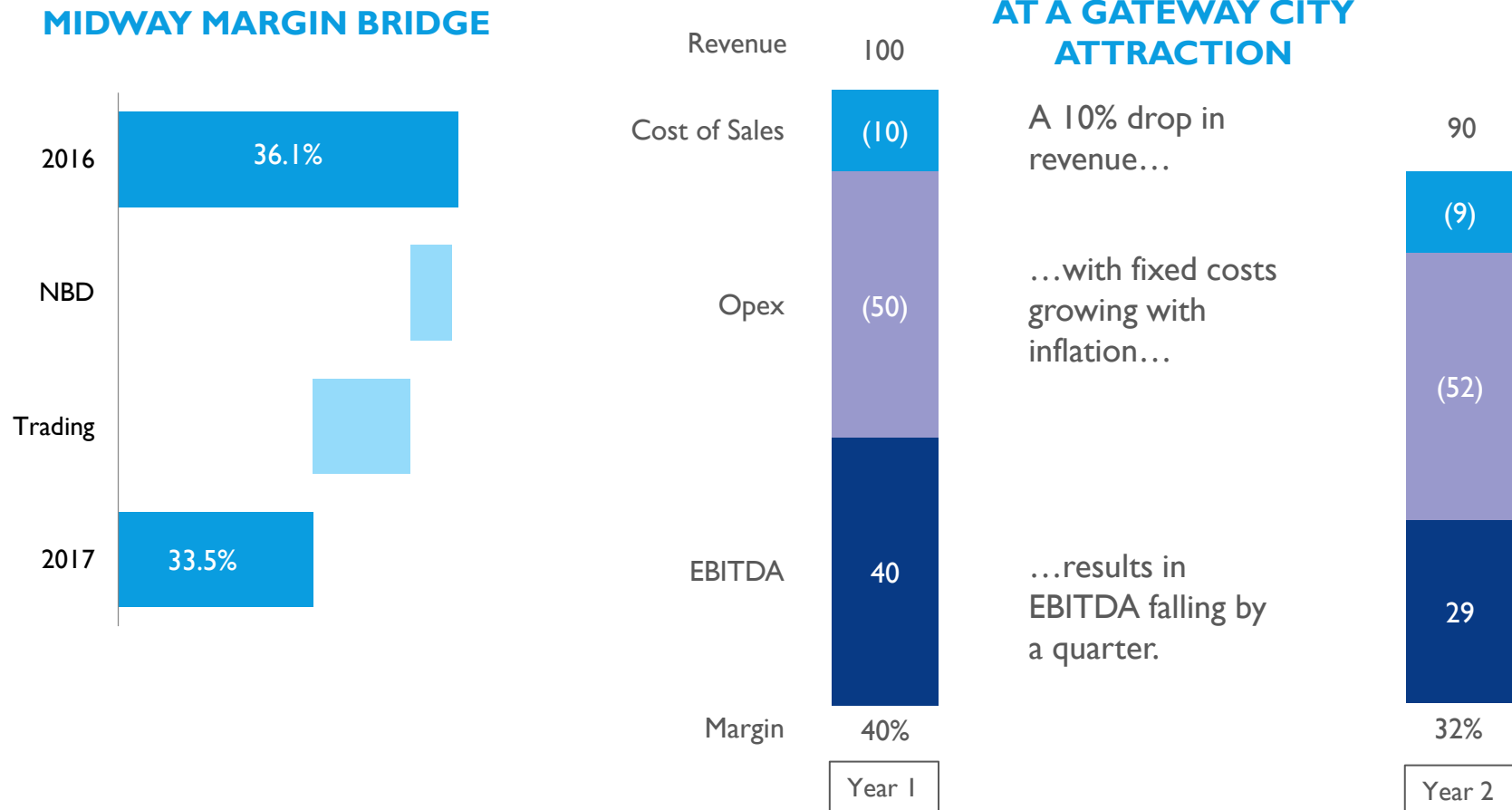
- Organic revenue growth of 1.3%
- Six new attractions opened throughout 2017
- Strong initial start to 2017 trading following favourable FX movements
- Immediate and significant impact from UK terror attacks
- North America softer trading due to LDC retail and Madame Tussauds New York
- Continued growth elsewhere
- Margin decline as trading not fully offset by savings
- Operating free cash flow conversion of 77%

MIDWAY OPERATIONAL GEARING



In the absence of management action, revenue shortfall in Midway attractions results in significant EBITDA decline

EXAMPLE – DROP IN REVENUE AT A GATEWAY CITY ATTRACTION

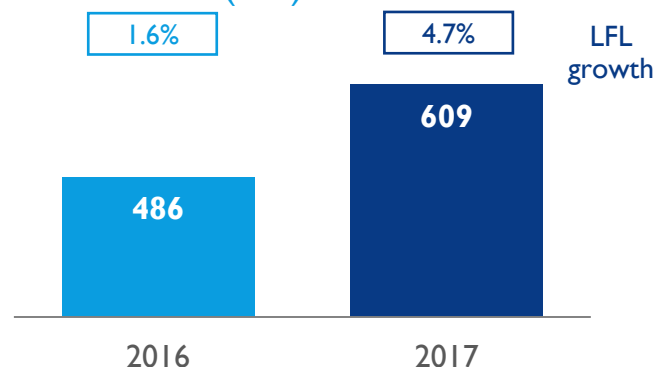


LEGOLAND PARKS PERFORMANCE

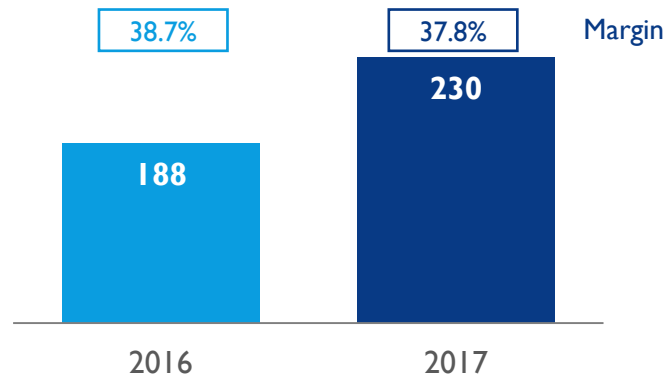


Opening of LEGOLAND Japan and continued strong LFL growth

REVENUE (£m)



EBITDA (£m)



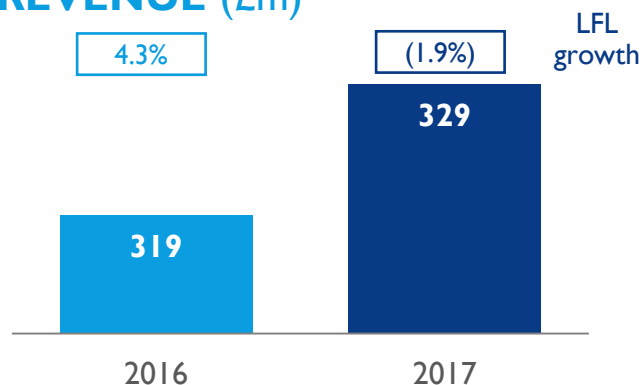
- Organic revenue growth of 18.2%
- Successful opening of LEGOLAND Japan
- 307 accommodation rooms added in Billund, Florida and Windsor
- Strong LFL performance
 - Two movies
 - NINJAGO World product investments
- Margin decline reflects Japan pre-opening costs and lease charges

RESORT THEME PARKS PERFORMANCE

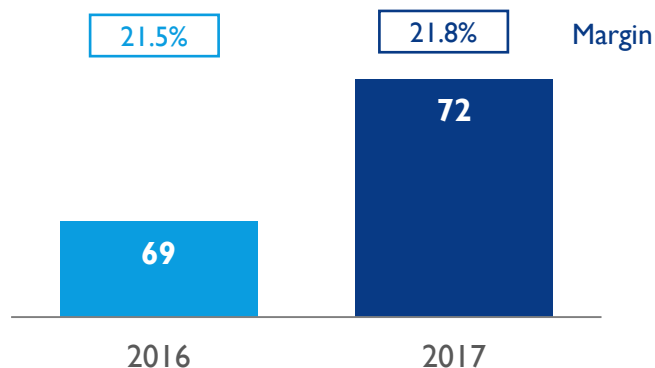


Significant decline at Gardaland offsets new accommodation and growth in UK

REVENUE (£m)



EBITDA (£m)



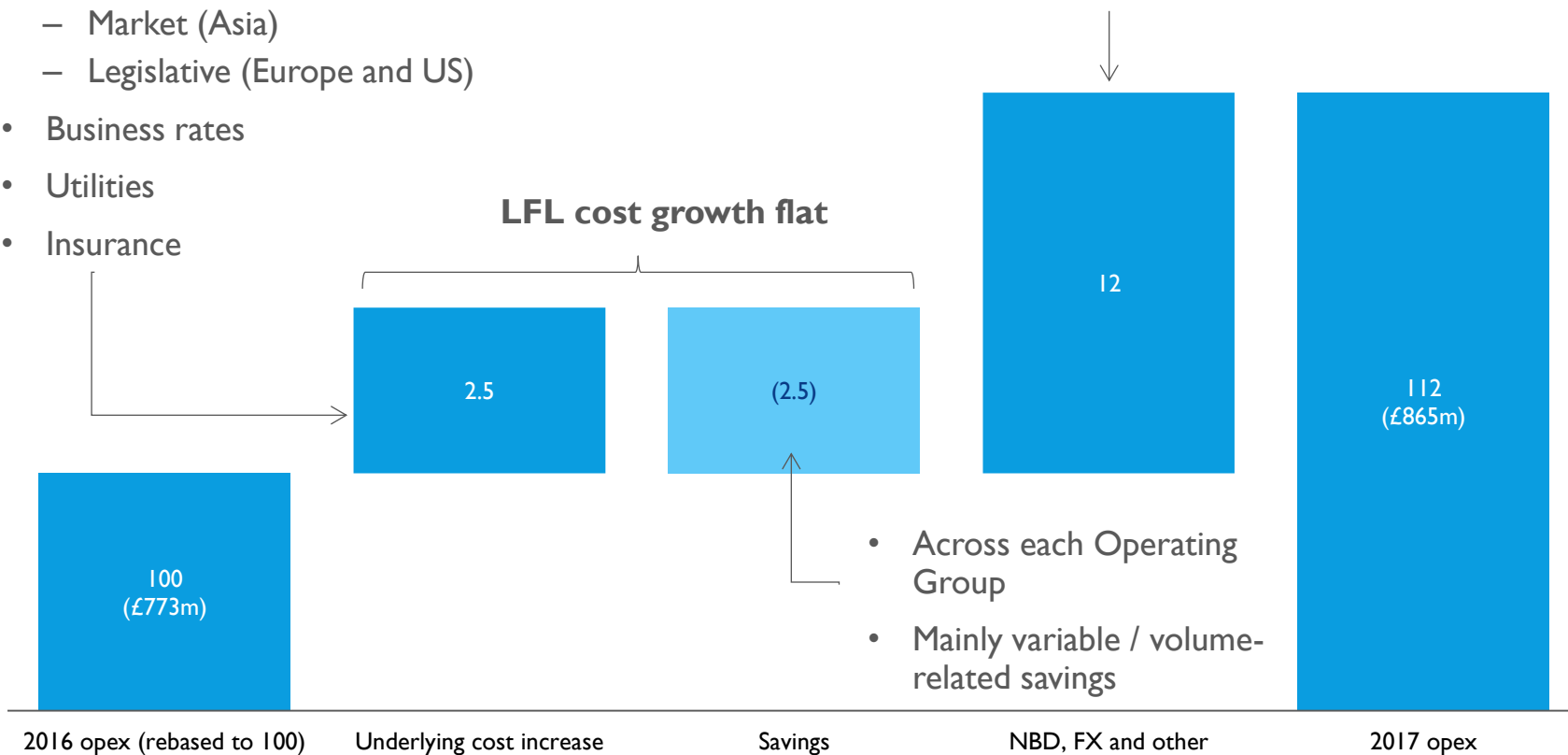
- Organic revenue growth of (0.4)%
- 76 accommodation rooms at Alton Towers
- Strong early season trading performance
- Terror attacks and poor weather impacted UK market, but parks showed growth overall
- Continued recovery at Alton Towers
- Significant decline at Gardaland due to adverse weather in late summer
- Margin increase due to cost savings throughout 2016 and 2017

PRODUCTIVITY AGENDA

Significant underlying cost pressures mitigated by volume-related savings...

- Wage pressures
 - Market (Asia)
 - Legislative (Europe and US)
- Business rates
- Utilities
- Insurance

Includes LEGOLAND Japan



PRODUCTIVITY AGENDA



...but longer term benefits from expected Productivity Agenda gains

INDICATIVE SCHEDULE FOR PRODUCTIVITY AGENDA

Back office systems

	2017	2018	2019	2020+
Finance				
HR				

- c£30m investment in back office systems to improve efficiency of existing estate and new openings

Model evolution

Benchmarking – F&B / Retail	✓			
Structure				

- Opportunity to share best practice across the estate
- Longer term simplification of ways of working

Technology

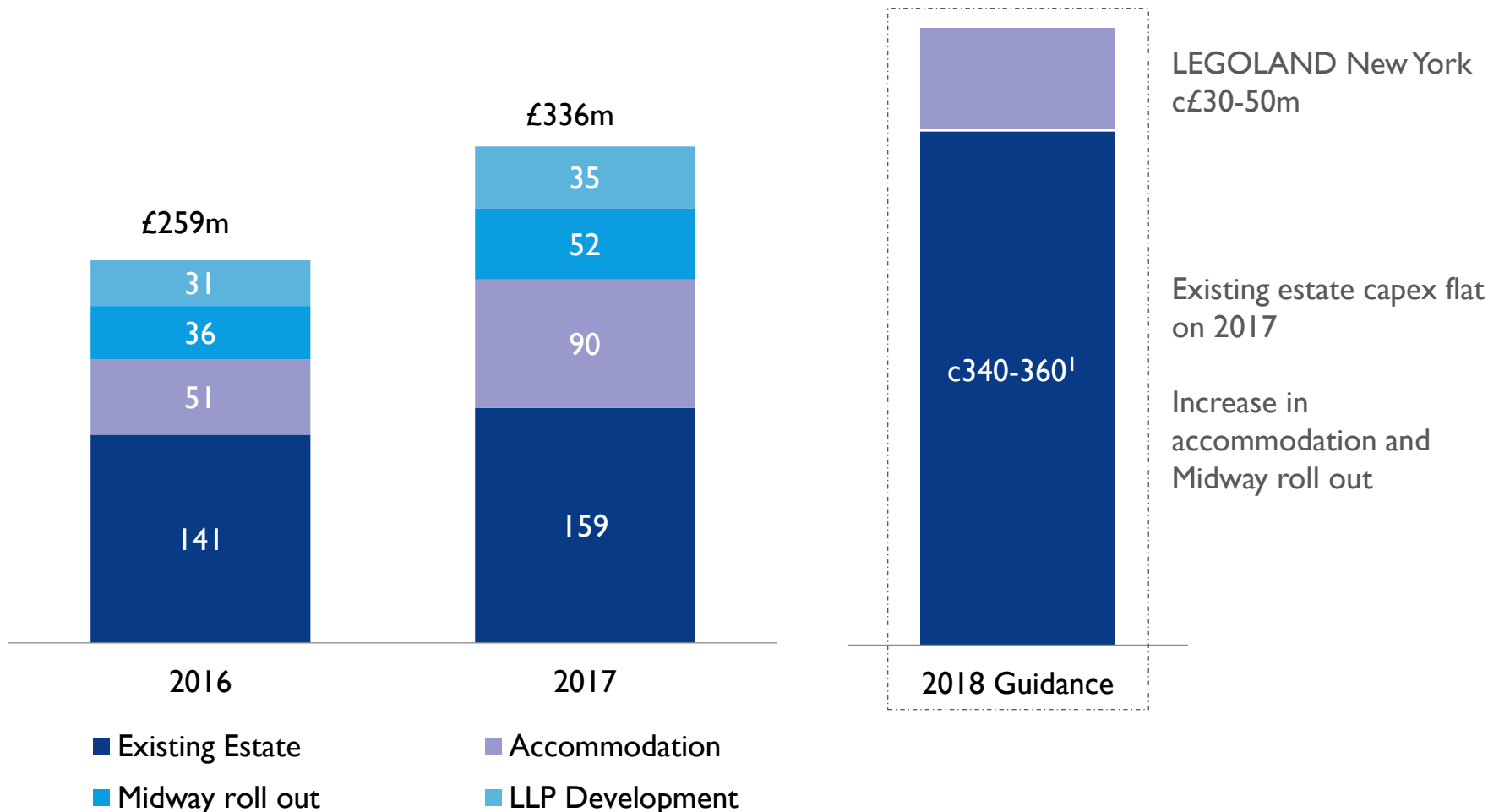
accesso®	✓			
Self-service ticketing and other automation	✓			

- Improved digital systems allows for greater front of house efficiency
- Further drives guest satisfaction

CAPITAL EXPENDITURE



2017 capex spend below guidance due to timing of payments

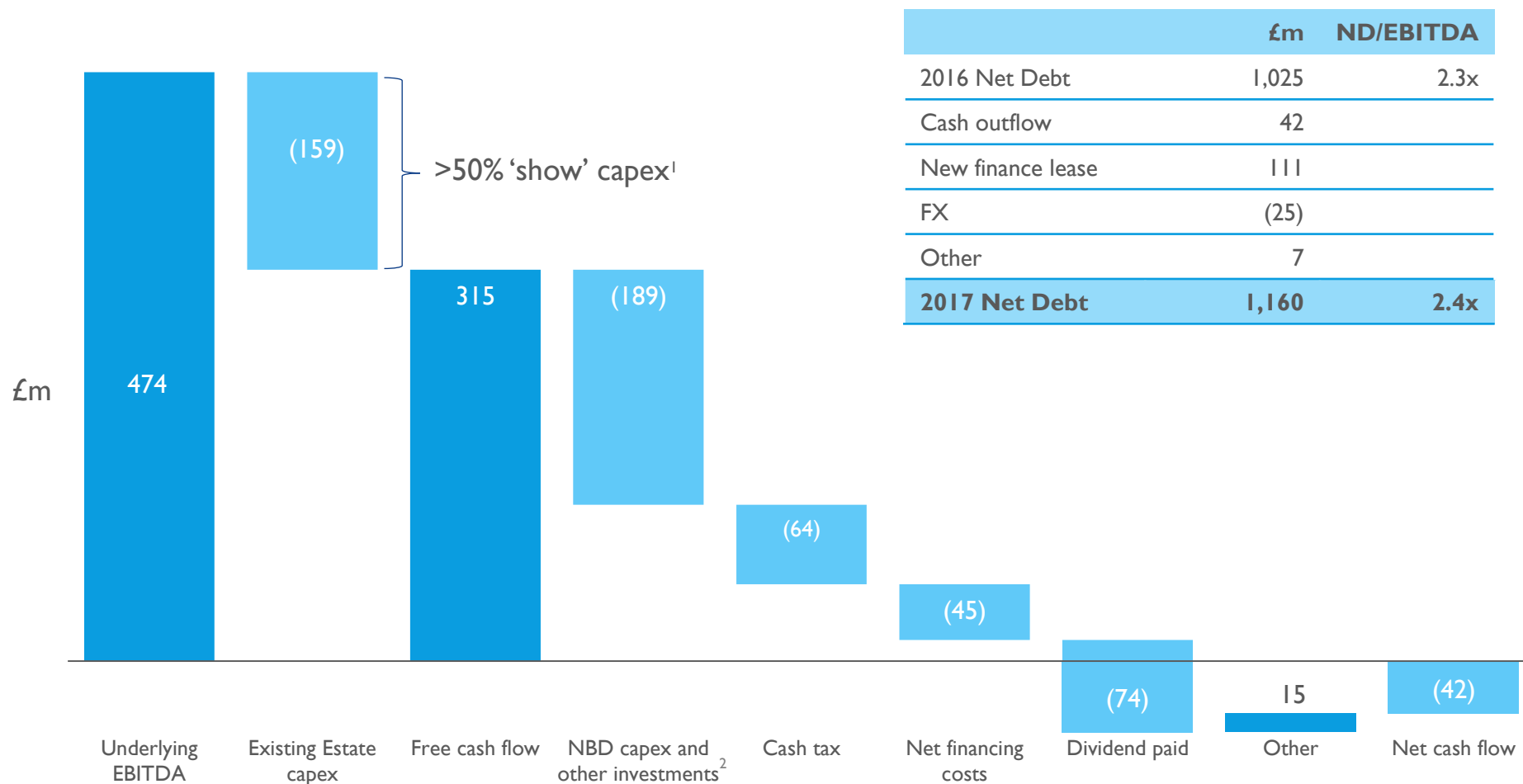


¹ Excluding LEGOLAND New York Resort investment

CASH FLOW



Operating free cash flow funds New Business Development



	£m	ND/EBITDA
2016 Net Debt	1,025	2.3x
Cash outflow	42	
New finance lease	111	
FX	(25)	
Other	7	
2017 Net Debt	1,160	2.4x

¹'Show' capex represents investment made on activities such as new product and features as opposed to repairs and maintenance

² Includes LL Dubai hotel investment

2018 MODELLING CONSIDERATIONS

- Depreciation: c£170m
- Capex: c£340-360m¹
- Central costs: £50-55m
- Interest charge: c£50m
- Effective Tax Rate: 22-24%
- Adverse FX impact
- Growth H2-weighted
 - Difficult H1 comparative
 - Later Midway openings in 2018
- Full year benefit of LEGOLAND Japan
- Expect Group organic revenue growth of 5-7%, with stable margins

¹Excluding LEGOLAND New York



STRATEGIC UPDATE

Nick Varney, Chief Executive Officer



MERLIN

SEALIFE - Timmendorfer Strand

AGENDA

1. 2017 and 2018 in context
2. The Midway model
(past, present and future)
3. 2019 and beyond
4. Summary



I. DIVISIONAL PERFORMANCE 2017/18 IN CONTEXT





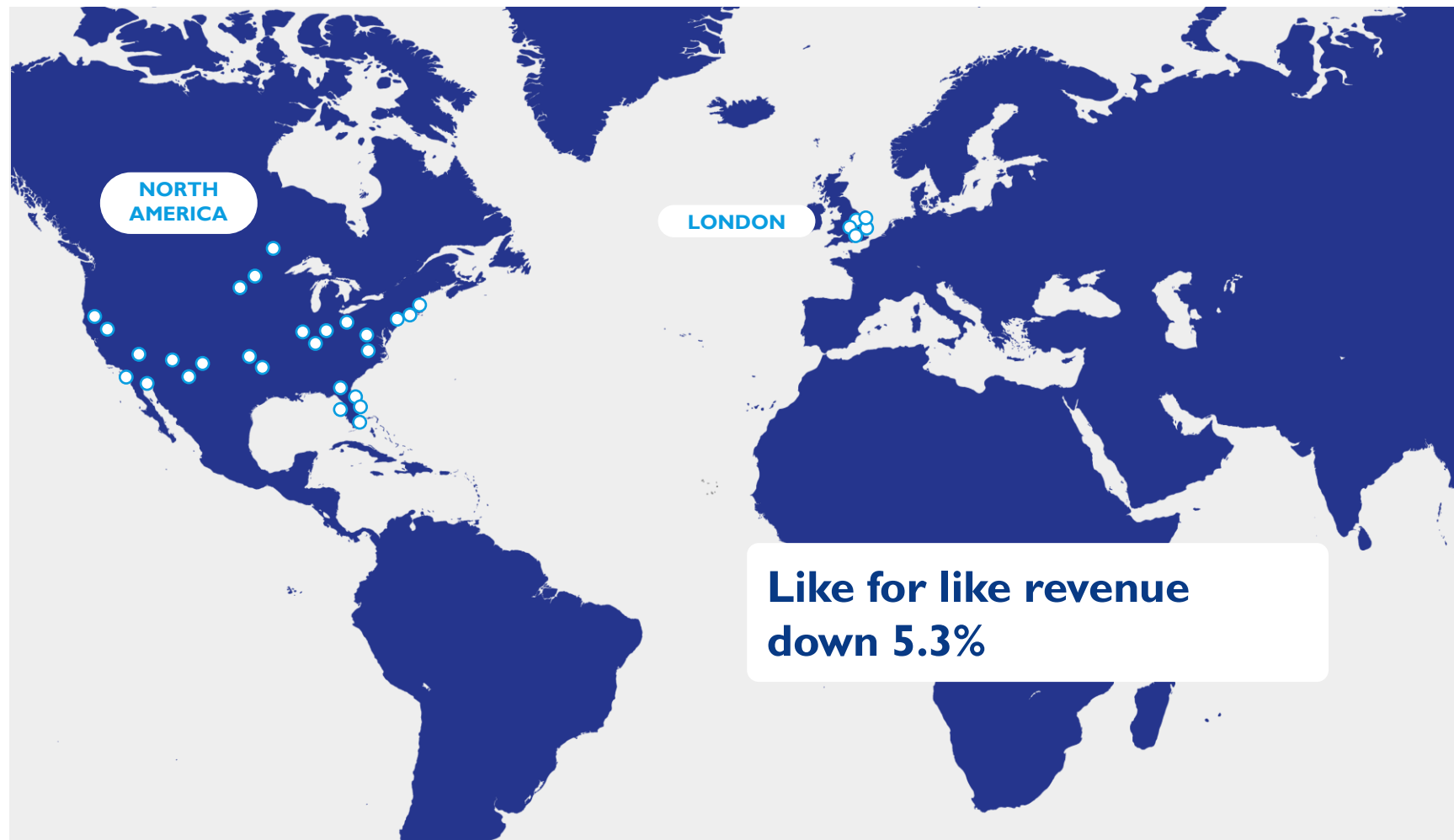
¹ Europe Division excludes London



¹ Europe division excludes London

² Excluding sales tax rebate





Terrorism drove international and domestic visitation away from London



News > London

Central London tourism plummeted amid 2017 terror attacks, industry bosses reveal

But the UK as a whole welcomed record numbers of tourists

TOM POWELL | Tuesday 26 December 2017 10:15 | 0 comments

‘...Visitors to the city's biggest attractions dropped by around 17 per cent on average between May and the second week of September compared with 2016...’

"Because they [young families] weren't brought up in the shadow of the UK and the IRA this is their first experience of domestic terror, while some of us who are older may take it in our stride and keep calm and carry on....But they are going elsewhere, places like Bath, Bristol, Oxford, instead."

- Bernard Donoghue, Director of the Association of Leading Visitor Attractions (ALVA)

RESORT THEME PARKS



RESORT THEME PARKS



RESORT THEME PARKS



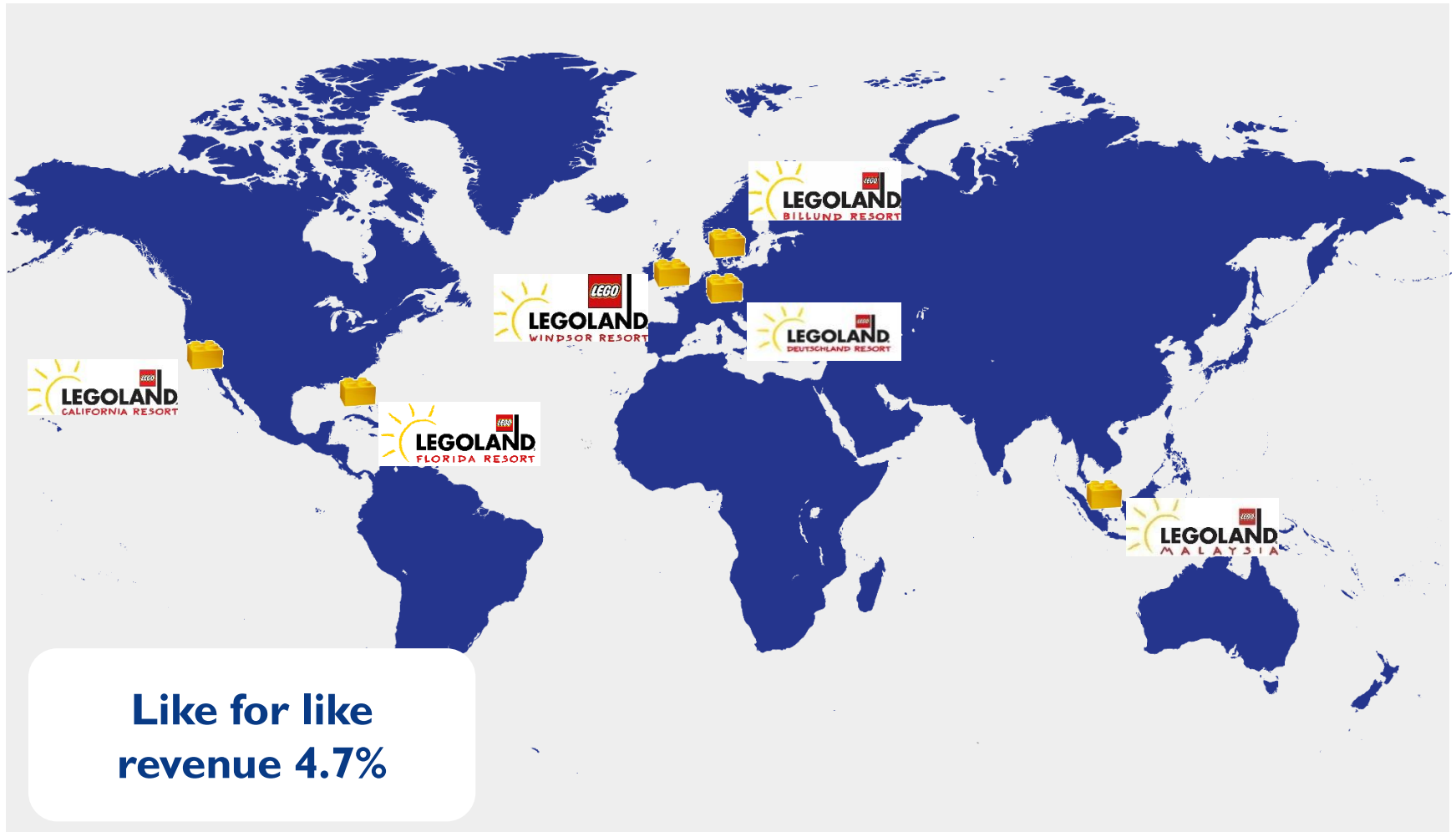
RESORT THEME PARKS



LEGOLAND PARKS



LEGOLAND PARKS



2018 EXISTING ESTATE EXPECTATIONS



Continue to expect low single digit Group like for like revenue growth in 2018

	2017	2018
MIDWAY	<ul style="list-style-type: none"> Decline primarily driven by London North America LDC retail and MTNY Growth in 3 of 5 Divisions 	<ul style="list-style-type: none"> London remains challenging Stabilisation in North America Continued growth elsewhere Assume 1-2% LFL decline
LEGOLAND PARKS	<ul style="list-style-type: none"> Continued strong trading, benefiting from two movies 	<ul style="list-style-type: none"> No movies until 2019 Difficult comparatives following strong 2017 performance Target c3% LFL revenue growth
RESORT THEME PARKS	<ul style="list-style-type: none"> Good growth in UK parks despite terror attacks and poor weather Adverse weather significantly impacted Gardaland 	<ul style="list-style-type: none"> High year investment at Alton Towers More normal weather in Europe Target c3% LFL revenue growth

2018 NEW BUSINESS DEVELOPMENT

Strong NBD line up for 2018; Midway H2-weighted

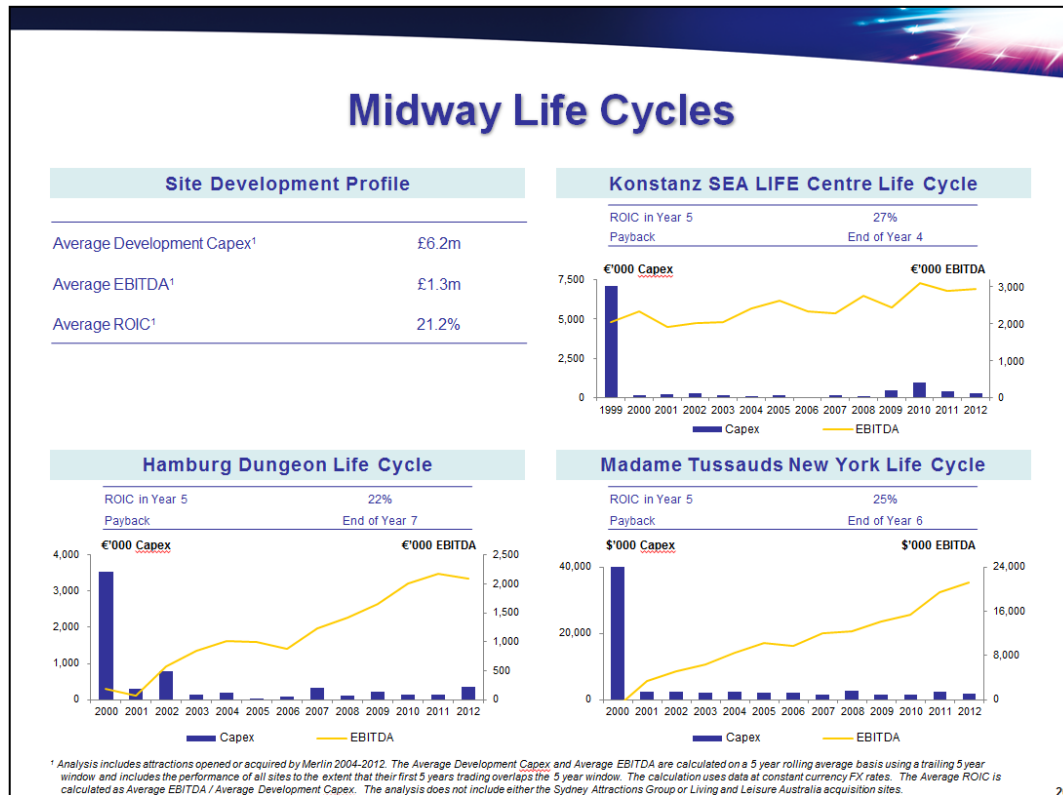
- LEGOLAND Japan first full year
- Accommodation, comprising rooms at:
 - California (250)
 - Germany (142)
 - Japan (252)
- Midway openings
 - Nine scheduled, with openings H2-weighted
 - Pilots of The Bear Grylls Adventure and Peppa Pig



2.THE MIDWAY MODEL (PAST, PRESENT AND FUTURE)

MATURITY PROFILES

Significant variance in growth rates and maturity profile by brand and market



- Maturity profile varies by Midway brand
- SEA LIFE and LDCs start strongly, whilst Madame Tussauds and Dungeons take a while to establish 'roots' in the market

IPO presentation, 2013

DRIVERS OF HISTORIC LFL GROWTH



Gateway cities have historically been the driver of like for like revenue growth

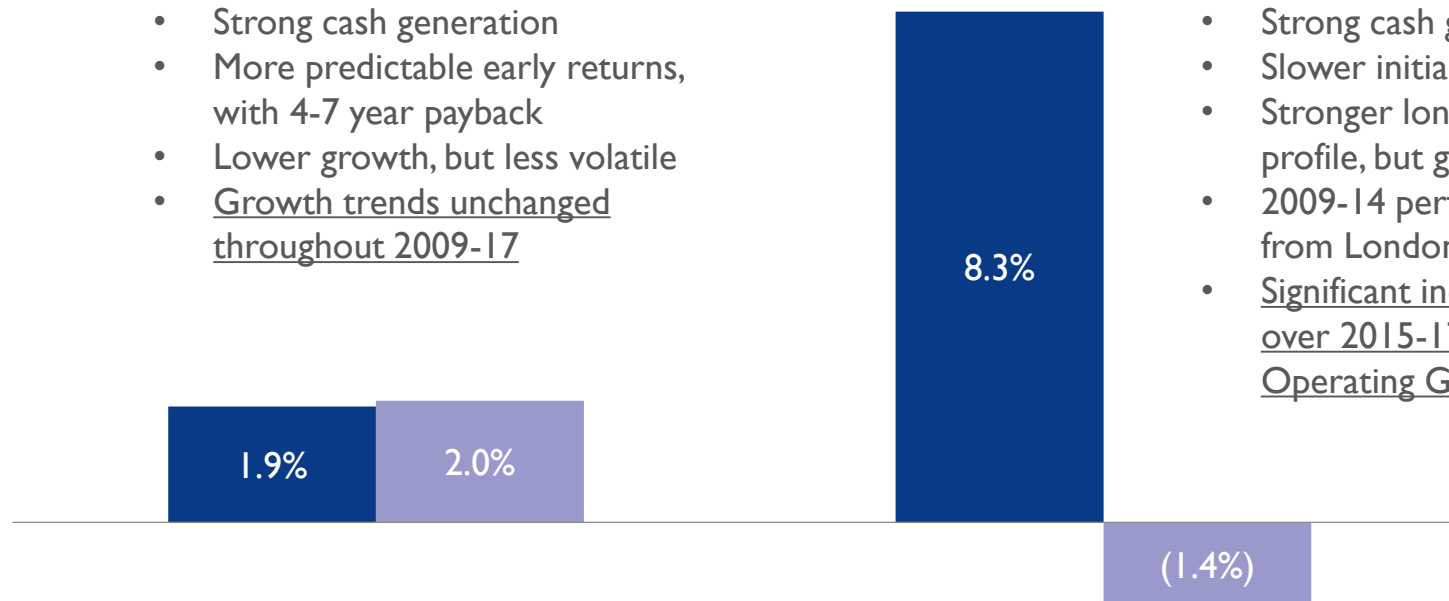
AVERAGE LFL REVENUE GROWTH, 2009-17

NON GATEWAY:

- Strong cash generation
- More predictable early returns, with 4-7 year payback
- Lower growth, but less volatile
- Growth trends unchanged throughout 2009-17

GATEWAY:

- Strong cash generation
- Slower initial return profile
- Stronger long term growth profile, but greater volatility
- 2009-14 performance benefited from London Olympics
- Significant increase in volatility over 2015-17 has driven Midway Operating Group shortfall



At constant currency rates

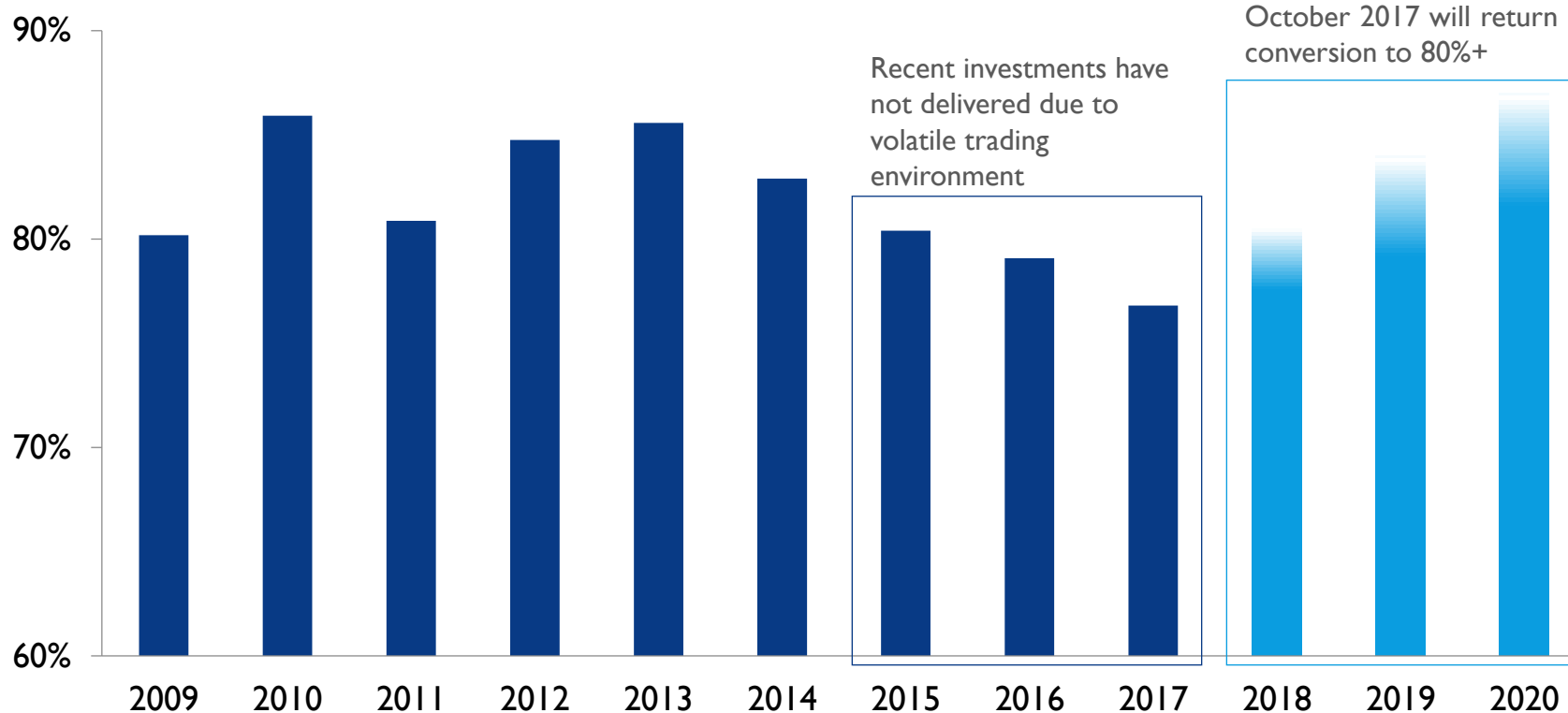
■ 2009-14 ■ 2015-17

CASH CONVERSION



Despite recent declines, Midway cash generation remains strong

MIDWAY OPERATING FREE CASH FLOW CONVERSION



Operating Free Cash Flow conversion defined as: EBITDA less Existing Estate capex, divided by EBITDA

RETURNS CRITERIA



Returns reflect maturity profiles and an evolving mix of openings

CORE BRANDS IN DEVELOPED MARKETS



Example: LDC Melbourne

Target Returns: 15-25% EBITDA ROIC

NEW BRANDS AND CORE BRANDS IN EMERGING MARKETS



Example: MT Delhi

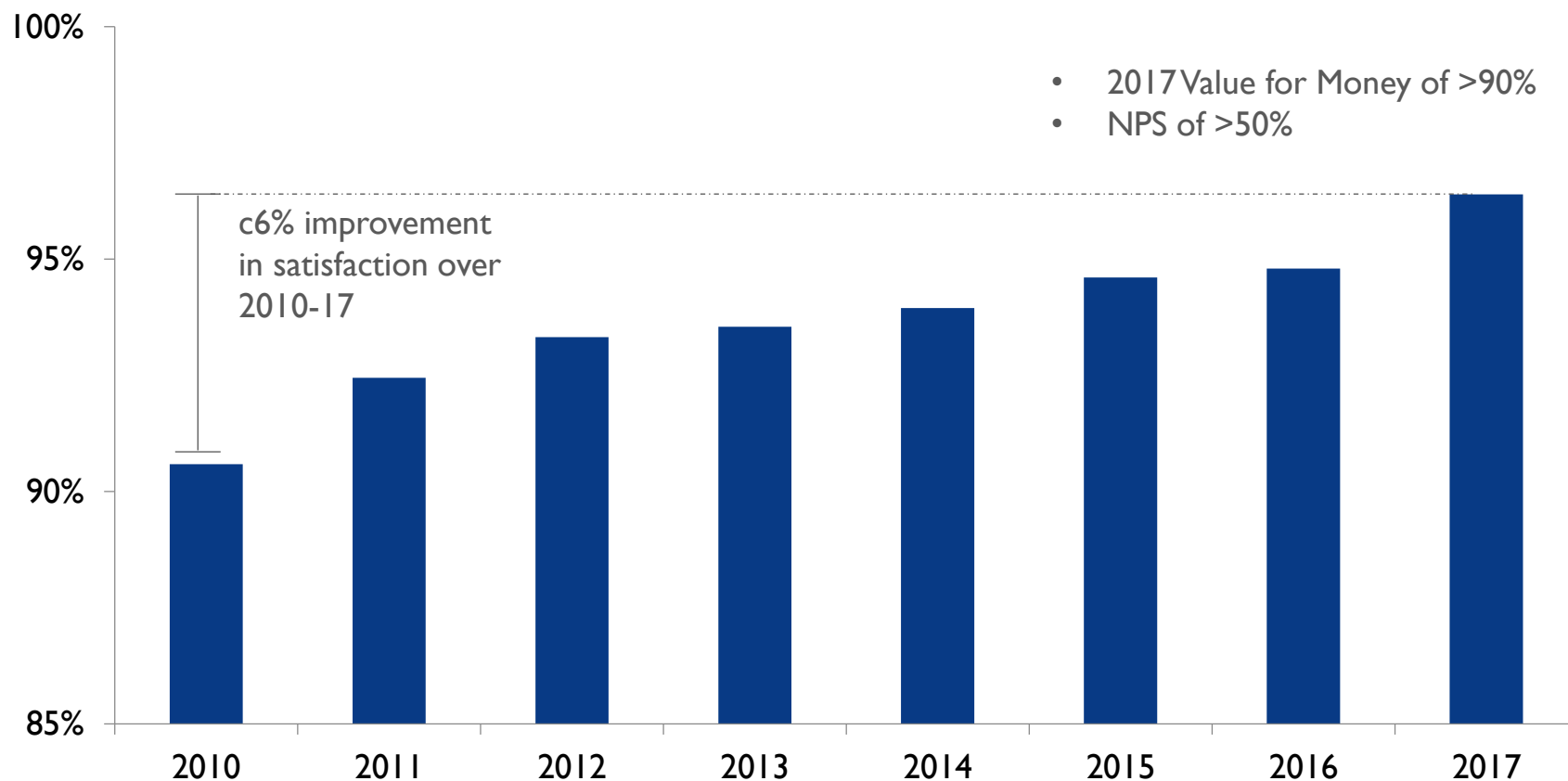
Target Returns: 14% Risk Adjusted IRR

GUEST SATISFACTION



High and consistent improvement in Guest Satisfaction scores

OVERALL MIDWAY GUEST SATISFACTION



Source: Touchscreen data

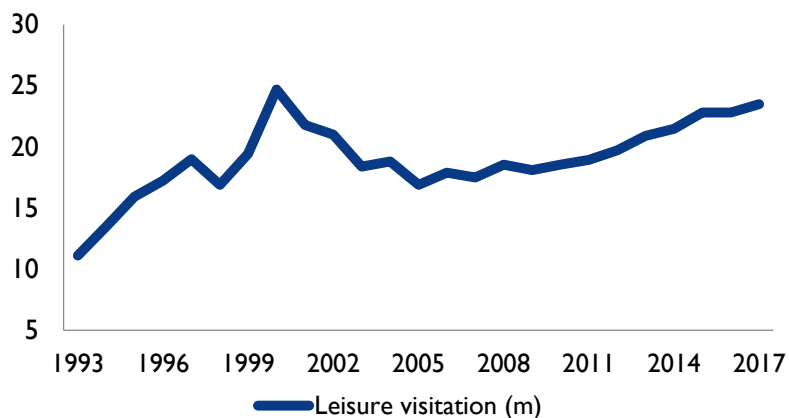
3. 2019 AND BEYOND

2019 AND BEYOND - EXISTING ESTATE

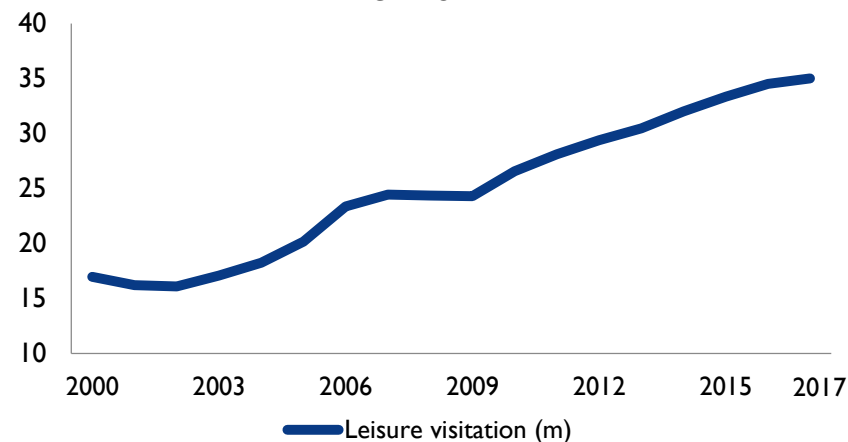


Historic growth in key markets

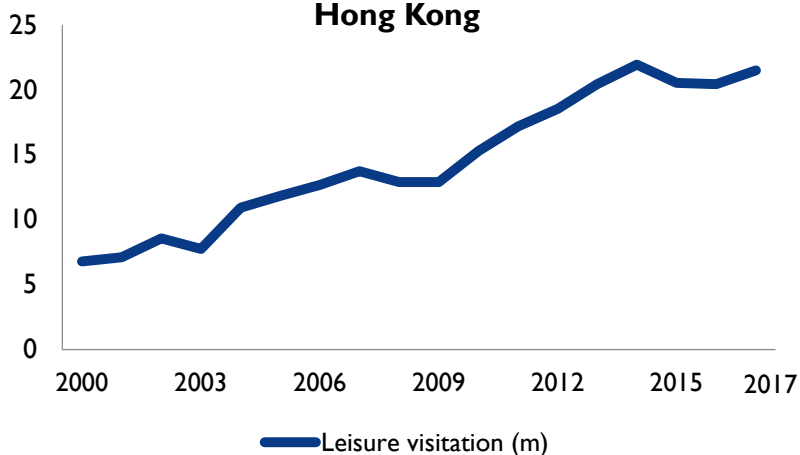
London



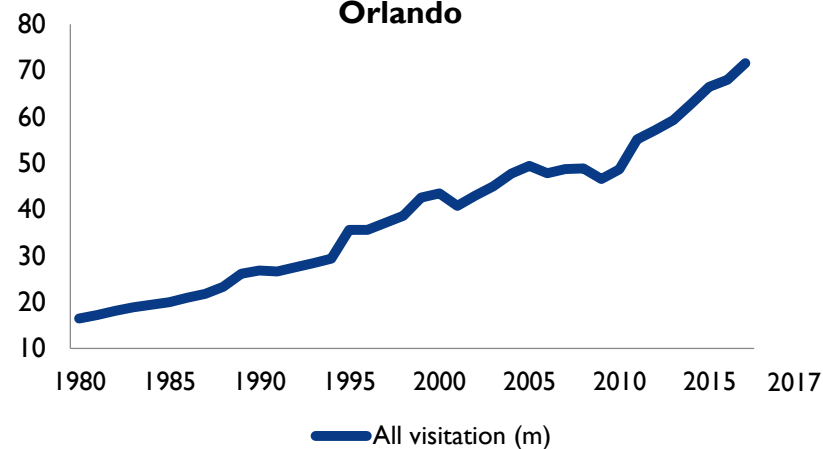
New York



Hong Kong



Orlando



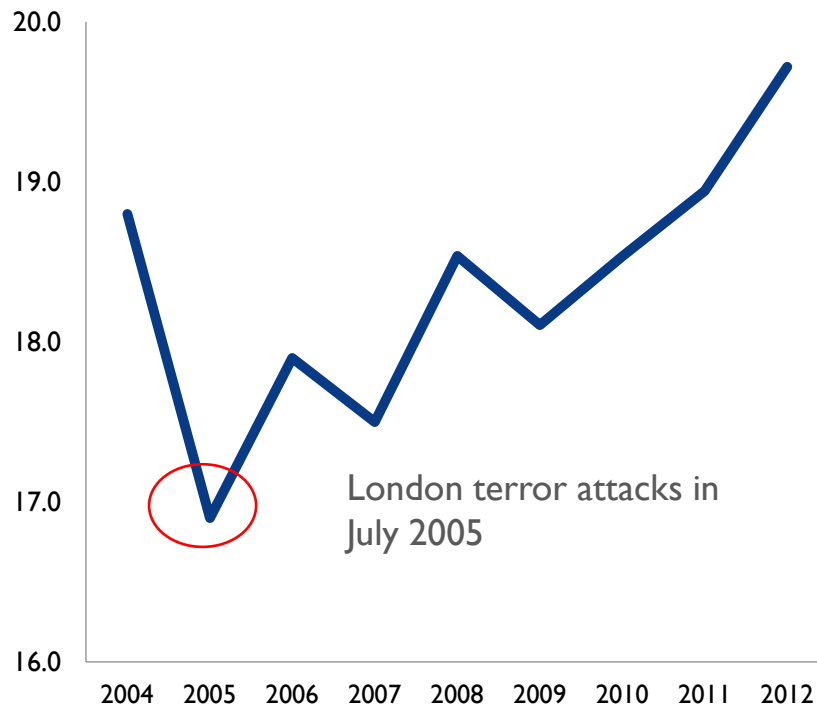
'Leisure visitation' is derived from the relevant local tourist body data and includes holiday and visiting friends and relatives and both domestic and international
Orlando data includes all visitation (including business)

2019 AND BEYOND - EXISTING ESTATE

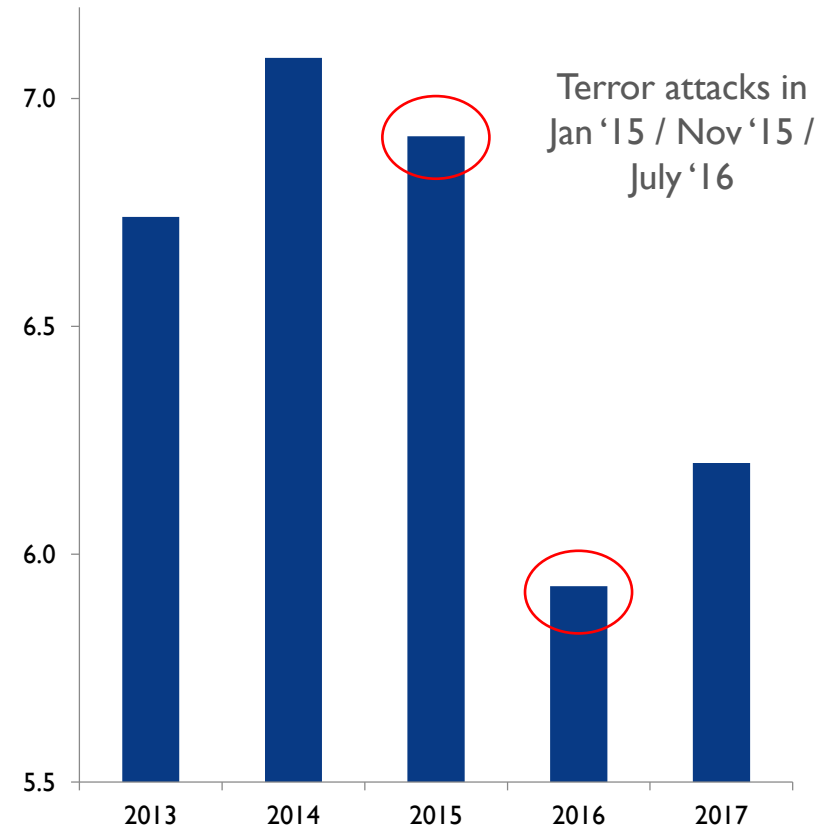


London will recover

LONDON LEISURE VISITATION (m)



EIFFEL TOWER VISITATION (m)



Source : Based upon International Passenger Survey and Great Britain Tourism Survey

Source : Societe d'Exploitation Tour Eiffel

2019 AND BEYOND - EXISTING ESTATE

*The LEGO Movie 2 and short breaks
to drive 3-5% LFL growth in
LEGOLAND Parks longer term*



*UK market recovery and short
breaks to drive 3-4% LFL growth in
Resort Theme Parks longer term*



2019 AND BEYOND - MIDWAY PIPELINE

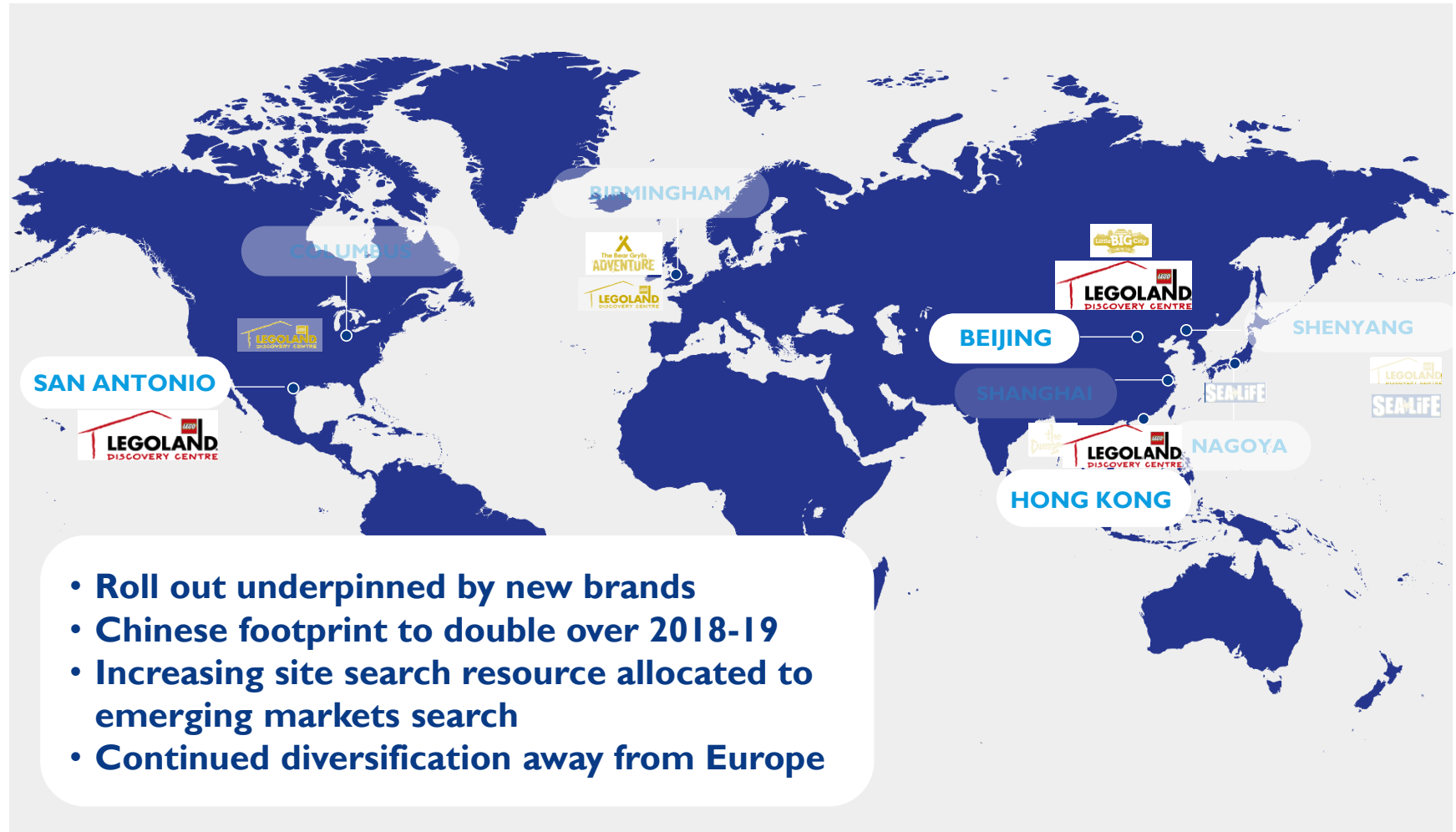


Nine openings scheduled for 2018



2019 AND BEYOND - MIDWAY PIPELINE

Roll out underpinned by new brands and new markets





- Global exclusivity on the 'The Bear Grylls Adventure' concept
- Global media empire – 180 countries reaching 1.2bn people
- Growing market for adventure/experience-seekers
- Pilot attraction to open in Birmingham NEC, UK in November 2018, at £20m capital cost
- Second to open in USA or China
- Seek to establish international chain longer term



Top-10 ranking pre-school brand in 30 countries including US (Top 3 in China)



- Multi-territory exclusivity to roll out Location Based Entertainment
- Three product formats:
 - 'Peppa Play': £3-5m cost, indoor attraction
 - Mid scale parks
 - 'In-park' lands
- Peppa Play expected to open in tranches of five following initial pilots



2019 AND BEYOND - LEGOLAND PARKS PIPELINE



2019 AND BEYOND - LEGOLAND PARKS PIPELINE

Confident in long term pipeline



2019 AND BEYOND - ACCOMMODATION PIPELINE



Compelling rationale for investment in themed accommodation



4. SUMMARY

SUMMARY OUTLOOK



Long term growth outlook positive and unchanged



CONCLUSION



- The Midway model is robust, but is evolving
- London is a core exposure, but will recover and in the longer term continue to diminish in relative importance
- 2018-19 modest LFL, return to 3%+ longer term
- Cost pressures being controlled by strong focus on productivity
- Long term market trends are positive
- Merlin uniquely placed with strong brands and structural growth opportunities

Q&A



'Wicker Man' – Alton Towers

APPENDIX



£millions, unless stated	2017	2016	Reported growth	Organic growth
Revenue	656	621	5.7%	1.3%
Like for like growth	(1.2)%	(0.2)%		
EBITDA	220	224	(1.8)%	(5.9)%
Margin	33.5%	36.1%		
Operating profit	152	160	(5.0)%	(9.3)%
Margin	23.1%	25.7%		
Existing estate capex	51	47		
% of revenue	7.8%	7.3%		

2016 capex calculated on a 53 week basis

LEGOLAND PARKS FINANCIALS



£millions, unless stated	2017	2016	Reported growth	Organic growth
Revenue	609	486	25.1%	18.2%
Like for like growth	4.7%	1.6%		
EBITDA	230	188	22.0%	15.0%
Margin	37.8%	38.7%		
Operating profit	191	160	19.0%	12.1%
Margin	31.3%	32.9%		
Existing estate capex	45	39		
% of revenue	7.4%	7.9%		

2016 capex calculated on a 53 week basis

RESORT THEME PARKS FINANCIALS



£millions, unless stated	2017	2016	Reported growth	Organic growth
Revenue	329	319	3.2%	(0.4)%
Like for like growth	(1.9)%	4.3%		
EBITDA	72	69	4.8%	(0.9)%
Margin	21.8%	21.5%		
Operating profit	36	37	(1.3)%	(8.8)%
Margin	11.1%	11.6%		
Existing estate capex	44	42		
% of revenue	13.4%	12.9%		

2016 capex calculated on a 53 week basis

COST BREAKDOWN



£millions, unless stated	2017	2016	Reported growth	Organic growth
Employment costs	420	379	11.0%	6.6%
% of revenue	26.4%	26.0%		
Rent	104	92	12.6%	9.6%
% of revenue	6.5%	6.3%		
Marketing	85	75	13.4%	8.3%
% of revenue	5.3%	5.1%		
Other	256	227	12.7%	8.5%
% of revenue	16.0%	15.6%		

MIDWAY REVENUE SPLIT



£millions, unless stated	2017	2016	Reported growth	Organic growth
Statutory visitors ¹ (m)	40.1	39.8	0.7%	
Revenue per capita (£)	15.66	14.89	5.2%	0.8%
Visitor revenue	627	592	5.9%	1.4%
Other revenue	29	29	1.2%	(1.5)%
Total revenue	656	621	5.7%	1.3%

¹ Statutory visitors, excluding joint ventures and management contracts

LEGOLAND PARKS REVENUE SPLIT



£millions, unless stated	2017	2016	Reported growth	Organic growth
Statutory visitors ¹ (m)	12.7	11.0	16.1%	
Revenue per capita (£)	37.73	35.47	6.4%	0.5%
Visitor revenue	481	389	23.5%	16.7%
Other revenue	128	97	31.3%	24.2%
Total revenue	609	486	25.1%	18.2%

¹ Statutory visitors, excluding LEGOLAND Malaysia and LEGOLAND Dubai

RESORT THEME PARKS REVENUE SPLIT



£millions, unless stated	2017	2016	Reported growth	Organic growth
Statutory visitors (m)	10.0	10.4	(3.7)%	
Revenue per capita (£)	25.78	24.29	6.1%	2.1%
Visitor revenue	259	253	2.1%	(1.7)%
Other revenue	70	66	7.4%	4.7%
Total revenue	329	319	3.2%	(0.4)%

FX SENSITIVITY



£millions, unless stated	2016	2017	% Change	Revenue impact, £m
USD	1.37	1.29	6.1%	25
EUR	1.23	1.14	7.3%	22
AUD	1.83	1.68	8.1%	8
Other				12
Total				67

£millions, unless stated	2016	2017	% Change	EBITDA impact, £m
USD	1.37	1.28	6.8%	11
EUR	1.21	1.13	7.0%	7
AUD	1.81	1.67	8.4%	2
Other				5
Total				25

Tables show the impact of translating 2016 reported results at actual, 2017 average rates

NET DEBT



£millions, unless stated	2017	2016
Loans and borrowings	1,278	1,152
Cash and cash equivalents	(309)	(215)
Net Debt (excluding finance leases)	969	937
Finance lease obligations	191	88
Net Debt	1,160	1,025
Net Debt / EBITDA	2.4x	2.3x

Credit Ratings

S&P: BB, stable outlook

Moody's : Ba2, stable outlook

DEBT FACILITIES



	Total (£m)	Maturity	Interest rate
5Y Term Loan	649	2020	L/E + 200bps
Bond	622	2022	Fixed 275 bps
Drawn Term Debt	1,271		
£300m RCF (undrawn)	300	2020	L/E + 175bps
Total Facilities	1,571		

ATTRACTION COUNT



	UK		Cont. Europe			Americas			Asia Pacific			Group			
	Dec 16	Mov't	Dec 17	Dec 16	Mov't	Dec 17	Dec 16	Mov't	Dec 17	Dec 16	Mov't	Dec 17	Dec 16	Mov't	Dec 17
SEA LIFE	13	-	13	18	-	18	8	-	8	8	1	9	47	1	48
Madame Tussauds	2	-	2	4	-	4	6	1	7	9	1	10	21	2	23
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC	1	-	1	3	-	3	9	1	10	3	1	4	16	2	18
Eye	2	-	2	-	-	-	1	-	1	1	-	1	4	-	4
Other	1	-	1	-	1	1	-	-	-	6	-	6	7	1	8
Midway	24	-	24	28	1	29	25	2	27	27	3	30	104	6	110
LLP	1	-	1	2	-	2	2	-	2	2	1	3	7	1	8
RTP	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
Group	29	-	29	32	1	33	27	2	29	29	4	33	117	7	124

ACCOMMODATION COUNT



	Dec 16	Rooms opened	Other movements	Dec 17
Billund (Denmark)	356	80	-	436
California	250	-	-	250
Deutschland	319	-	-	319
Florida	152	166	-	318
Malaysia	249	-	9	258
Windsor (UK)	150	61	(2)	209
Dubai	-	-	-	-
Japan	-	-	-	-
LEGOLAND Parks	1,476	307	7	1,790
Alton Towers (UK)	516	76	-	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)	71	-	(4)	67
Resort Theme Parks	1,607	76	(4)	1,679
Group	3,083	383	3	3,469

Table shows movement in room count net of any closures in the period.
 Increase at LEGOLAND Malaysia relates to a reconfiguration of existing rooms.
 Excludes campsite pitches at LEGOLAND Deutschland and LEGOLAND Billund.

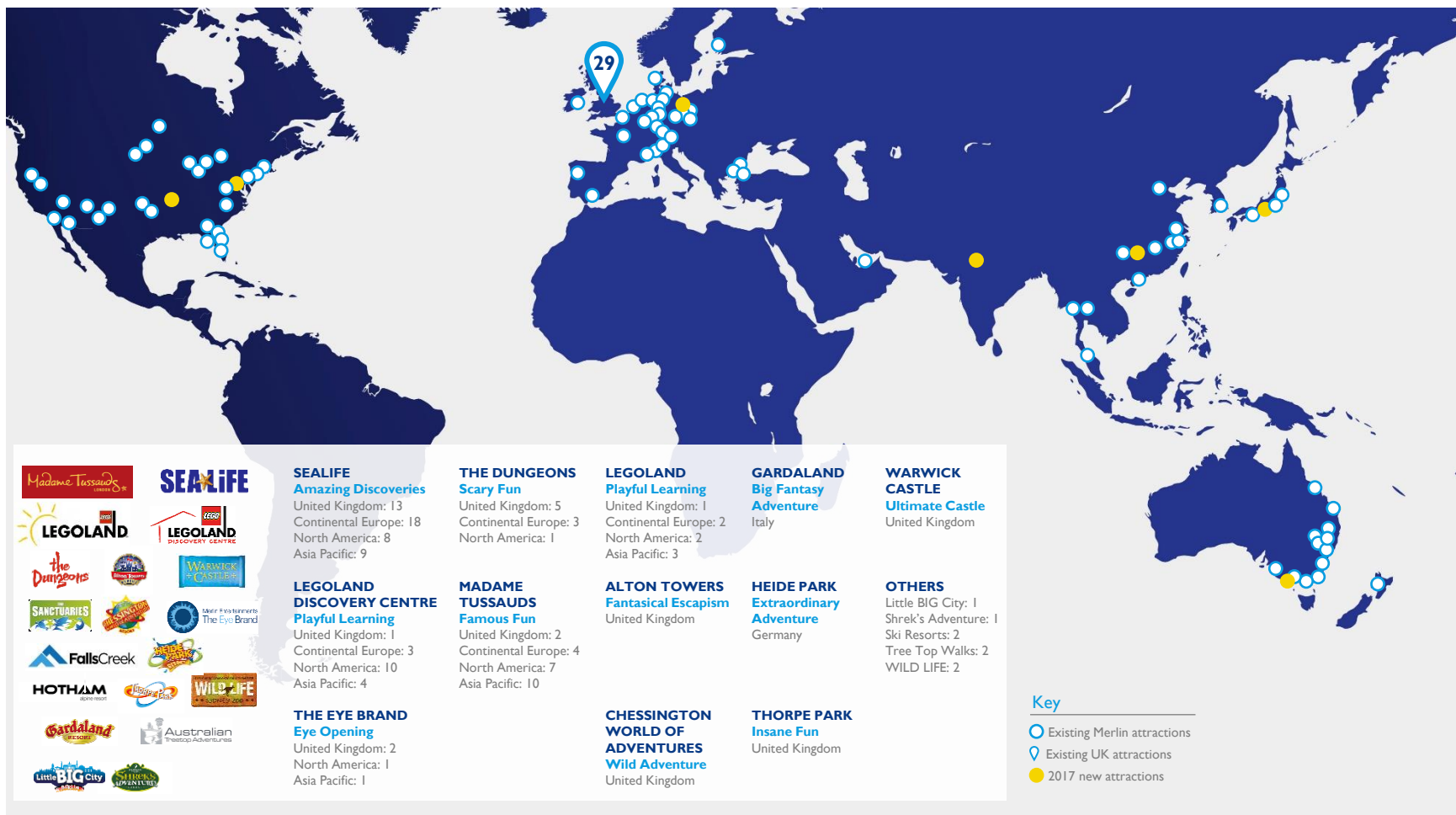
GLOSSARY



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	Effective of movements in foreign exchange
LDC	LEGOLAND Discovery Centre
Lead price	Face value of a ticket, which may then be discounted
LFL	2017 Like for like growth refers to the growth between 2016 and 2017 on a constant currency basis using 2017 exchange rates and includes all businesses owned and operated before the start of 2016
LLP	LEGOLAND Parks Operating Group
MAT	Moving Annual Total
Midway	Midway Attractions Operating Group
NBD	New Business Development

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



FORWARD-LOOKING STATEMENTS DISCLAIMER



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