

2016 PRELIMINARY RESULTS PRESENTATION



2 MARCH 2017

MERLIN
ENTERTAINMENTS

2016 HIGHLIGHTS

Results in line with expectations

*Confident in our growth strategy
and outlook*



- ★ 2016 performance testament to the benefits of a diverse portfolio
- ★ EBITDA growth of 7.7%
- ★ EPS growth of 9.3%
- ★ Continued challenges in a number of key markets; offset to some degree by cost control measures
- ★ Good progress towards 2020 milestones
 - ★ Five new Midways opened in 2016; over 20 now opened, under development or approved
 - ★ 210 new accommodation rooms opened; over 1,500 now opened, under development or approved
 - ★ LEGOLAND Dubai opened under management contract, with progress towards further sites

WARWICK
CASTLE

FINANCIAL RESULTS

Anne-Francoise Nesmes, Chief Financial Officer



SUMMARY FINANCIALS



£ millions (unless stated)	2016 (52 weeks)	2015	Total growth at actual FX	Total growth at constant FX	Like for like growth	2016 (53 weeks)
Revenue	1,428	1,278	11.7%	3.6%	1.4%	1,457
EBITDA	433	402	7.7%	(1.8)%	(3.6)%	451
<i>Margin</i>	<i>30.3%</i>	<i>31.5%</i>				<i>30.9%</i>
Operating Profit	302	291	3.6%	(6.2)%		320
PBT	259	250	3.4%			277
Underlying profit for the year	197	180	9.3%			211
Adjusted EPS	19.5p	17.8p	9.3%			20.8p
DPS	7.1p	6.5p	9.2%			7.1p
ROCE	9.6%	9.7%				10.2%

REVENUE BRIDGE 2015-16



MIDWAY PERFORMANCE

Market specific challenges not fully offset by cost mitigation



Revenue

LFL growth: 2.3% (0.2)%

£m

561

621

2015

2016

10.8% at actual FX
3.4% at constant FX

EBITDA

Margin: 39.4% 36.1%

£m

221

224

2015

2016

1.5% at actual FX
(4.7)% at constant FX

- Revenue growth impacted by challenging trading in a number of key markets, particularly London
- Productivity initiatives under way to control costs
- Increased investment in marketing
- Strong contribution from New Business Development
- Results include a £5 million one-off sales tax credit



LEGOLAND PARKS PERFORMANCE

Strong trading performance tempered by Florida market



Revenue

LFL growth:

8.2%

1.6%

£m

429

486

2015

2016

13.5% at actual FX
2.9% at constant FX

EBITDA

Margin:

39.6%

38.7%

£m

169

188

2015

2016

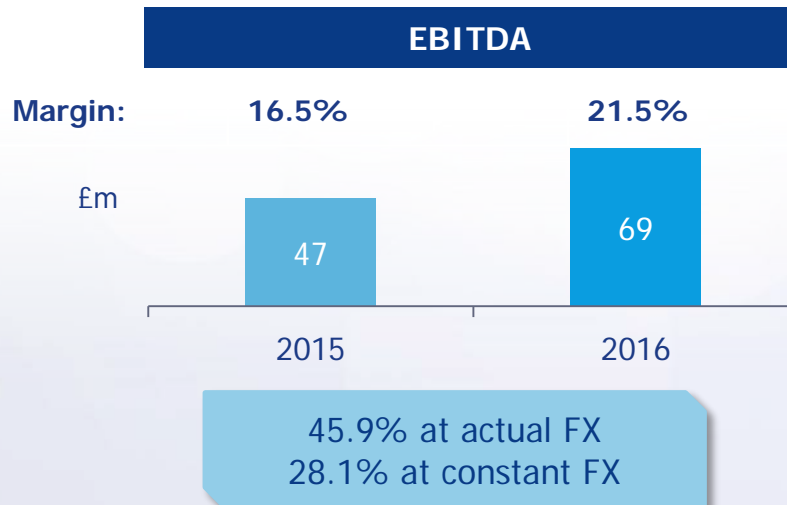
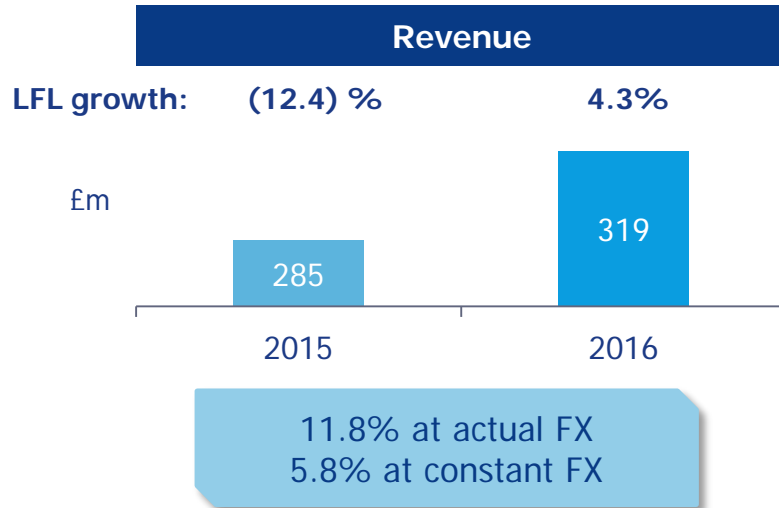
11.1% at actual FX
0.5% at constant FX

- ✦ Good performances in Billund and Germany
- ✦ Challenging market in Florida
- ✦ Tough comparatives following >20% LFL growth from 2013 to 2015
- ✦ Contribution from accommodation opened in 2015 and 2016
- ✦ Pre-opening costs related to Japan and Korea



RESORT THEME PARKS PERFORMANCE

Alton Towers recovery underway; good performances elsewhere



- Continued improvement of leisure visitation at Alton Towers throughout the year
- Cost efficiencies crystallised earlier than initial target
- Good year on year performances from other parks
- £5 million fine incurred related to 'The Smiler' accident



GROUP COST BASE ANALYSIS

Underlying cost pressures; ongoing actions to mitigate costs



2016
Operating
cost base:
£773m

Pressures

Mitigation

Employment

26% of revenue

- Pressure from wage legislation in UK, Germany and US; Asian wage growth

£379m

Rent

6% of revenue

- Mixture of RPI-linked and turnover-based rents

£92m

Marketing

5% of revenue

- Continued investment in product and marketing

£75m

Other

16% of revenue

- Significant growth in business rates over 2017-21

£227m

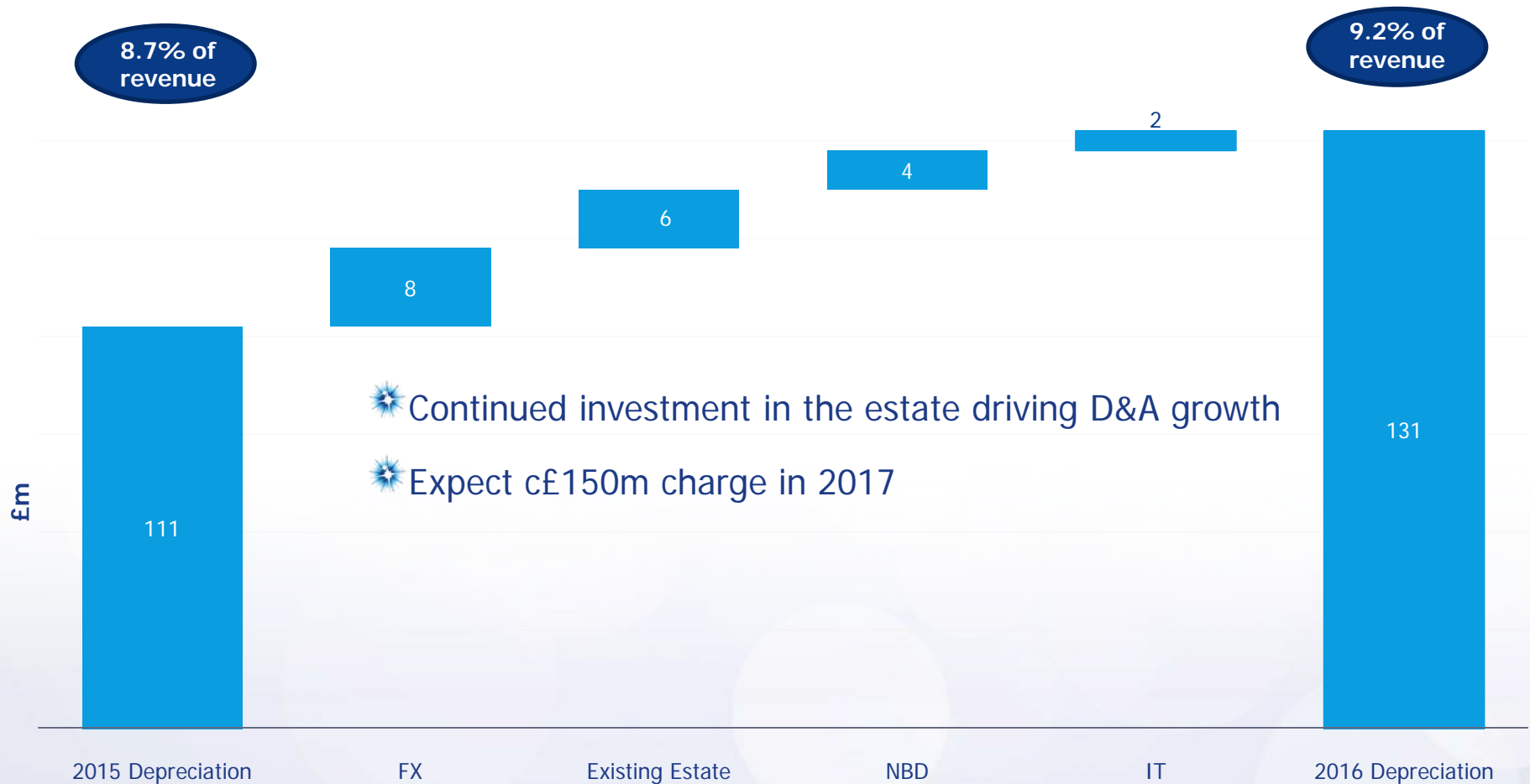
Business Rates

Mitigation at both attraction and corporate level:

- Attraction level productivity following detailed benchmarking exercises, e.g:
 - Levels of staffing across attractions
 - Technology solutions
- Midway regionalisation and centralisation where appropriate
- Back office efficiencies including increased use of shared services in future

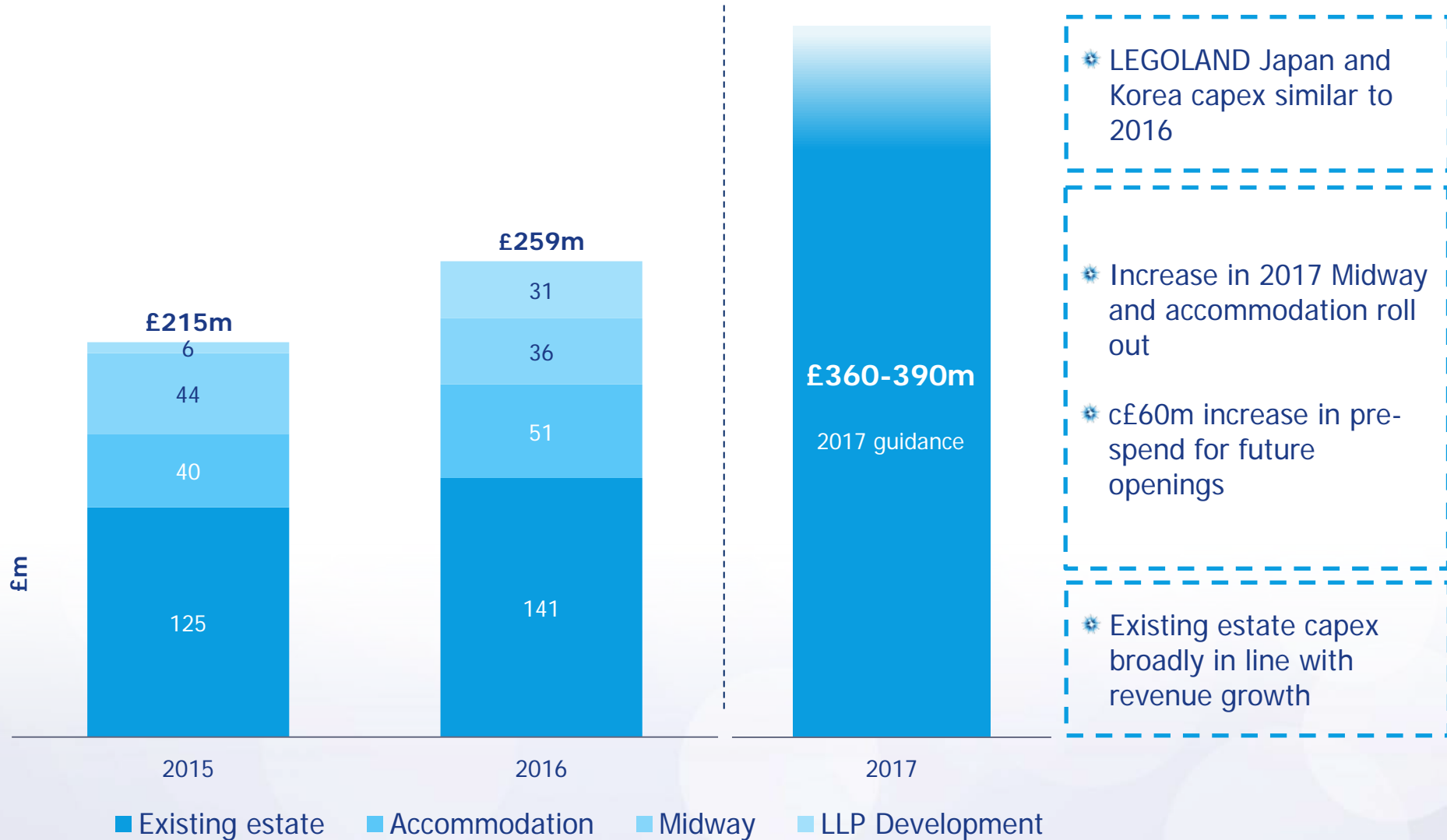
DEPRECIATION ANALYSIS

FX and investment in the estate drive depreciation



CAPITAL EXPENDITURE

Continued growth in New Business Development capex

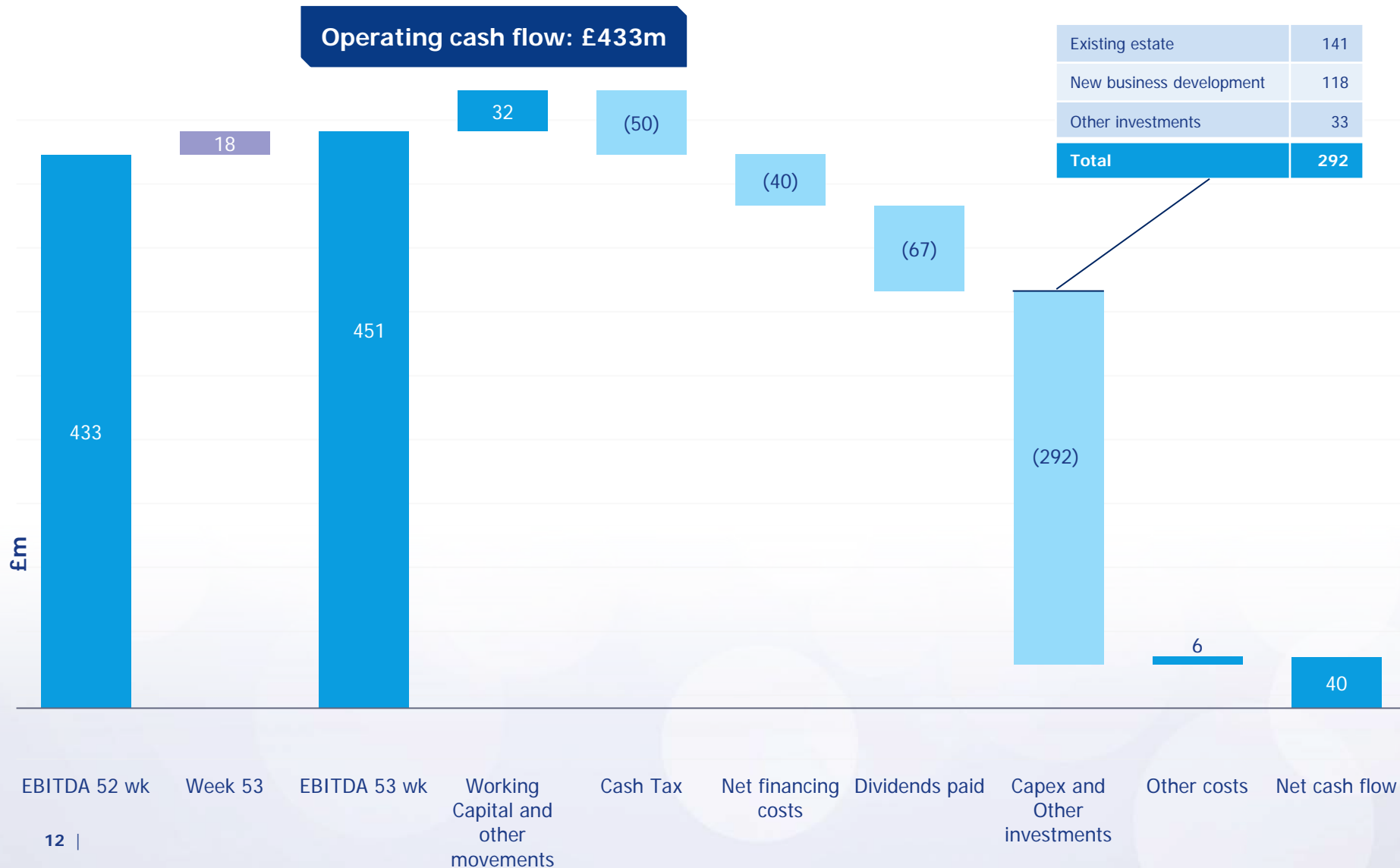


CASH FLOW

Strong cash flow to support growth strategy and dividend



Operating cash flow: £433m



FINANCIAL STRATEGY



Tax

- Full year Effective Tax Rate of 23.8% (H1 2016 26.2%)
- One-off benefit from the revaluation of deferred tax liabilities in Italy
- Expected to be c26% in 2017

Debt

	£m	ND/ EBITDA
2015 Net Debt	937	2.3x
Cash flow	(40)	
Amortisation of financing items and increase in accrued interest	5	
FX	123	
2016 Net Debt	1,025	2.3x

- Continued strong cash generation to support strategy
- Believe 2-3x net debt / EBITDA to be appropriate level of leverage
- Will seek market opportunities to further diversify sources of funding

SUMMARY MODELLING CONSIDERATIONS



- ✦ **Depreciation** – c£150m in 2017
- ✦ **Capex** – c£360m-390m in 2017
- ✦ **Central costs** - c£50m in 2017
- ✦ **Interest charge** – c£45m in 2017
- ✦ **Tax rate** – c26% in 2017

- ✦ 'One-offs' in 2016

- ✦ Midway: £5m sales tax rebate in H1
- ✦ RTP: £5m Smiler fine in H2

- ✦ Phasing of LFL growth due to 53rd week in 2016



LEGOLAND PARKS ROLL OUT GUIDANCE



- ★ Full year impact of **LEGOLAND Dubai** management contract in 2017
- ★ **LEGOLAND Japan** to open in April 2017
 - ★ Balance of capital investment expected to be made in 2017
 - ★ Expect park to be slightly EBITDA positive in 2017 after pre-opening costs
 - ★ Margin dilution as previously guided due to inclusion of rent charge
 - ★ Beginning investment in wider resort offering (250 room hotel and SEA LIFE)
- ★ P&L costs of £2-3m related to **LEGOLAND Korea and New York** in 2017



SUMMARY



2016

- ✦ EBITDA - £433m
- ✦ EPS – 19.5p
- ✦ DPS – 7.1p
- ✦ In line with expectations

2017

- ✦ Prudent planning assumptions
- ✦ Financial discipline
 - ✦ Productivity
 - ✦ Returns



A vibrant underwater scene featuring several sharks swimming in a large aquarium. In the foreground, a curved glass tunnel arches over a smaller, arched entrance. The water is filled with colorful coral, smaller fish, and bubbles, creating a dynamic and immersive environment.

STRATEGIC UPDATE

Nick Varney



MARKET CONTEXT AND STRATEGY

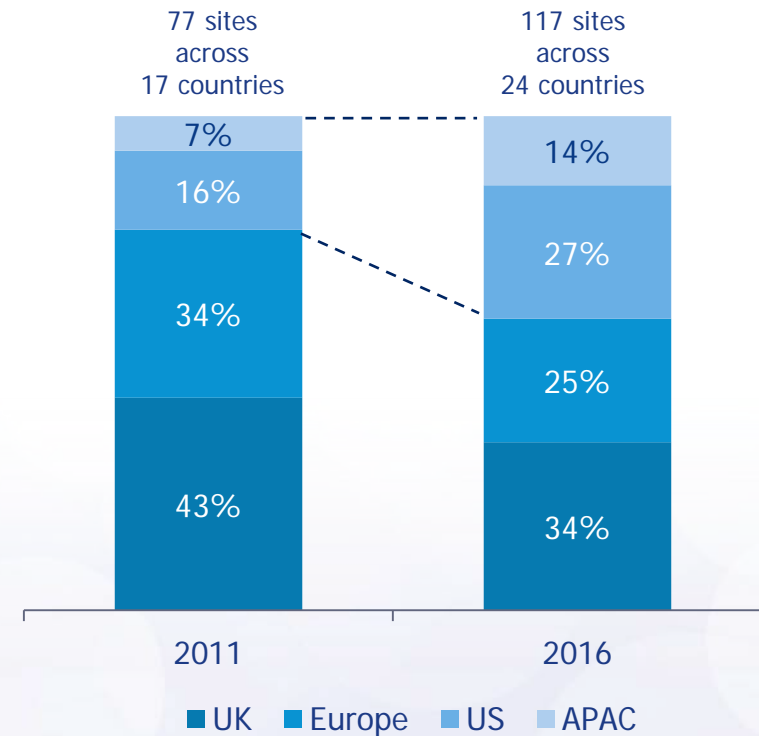


"CREATE A HIGH GROWTH, HIGH RETURN, FAMILY ENTERTAINMENT COMPANY BASED ON STRONG BRANDS AND A GLOBAL PORTFOLIO THAT IS NATURALLY BALANCED AGAINST THE IMPACT OF EXTERNAL FACTORS."

Long term attractive market drivers



Increasing diversification in the portfolio¹





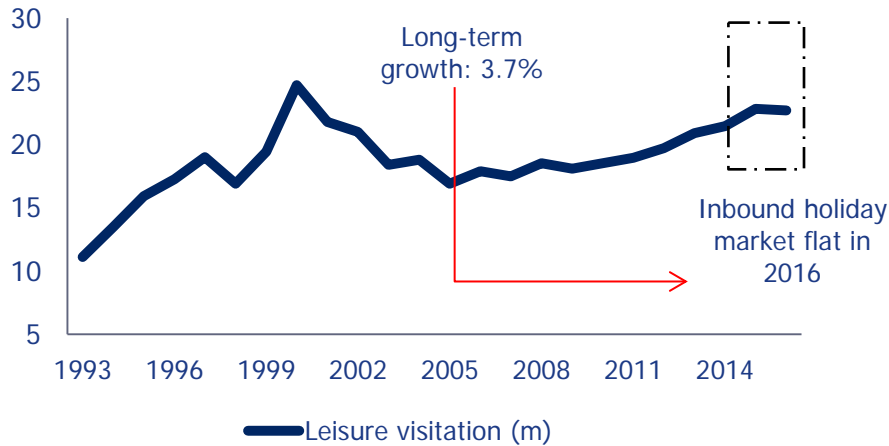
EXISTING ESTATE UPDATE

MARKET GROWTH

Long term growth in key markets; slowdown in 2015-16



London



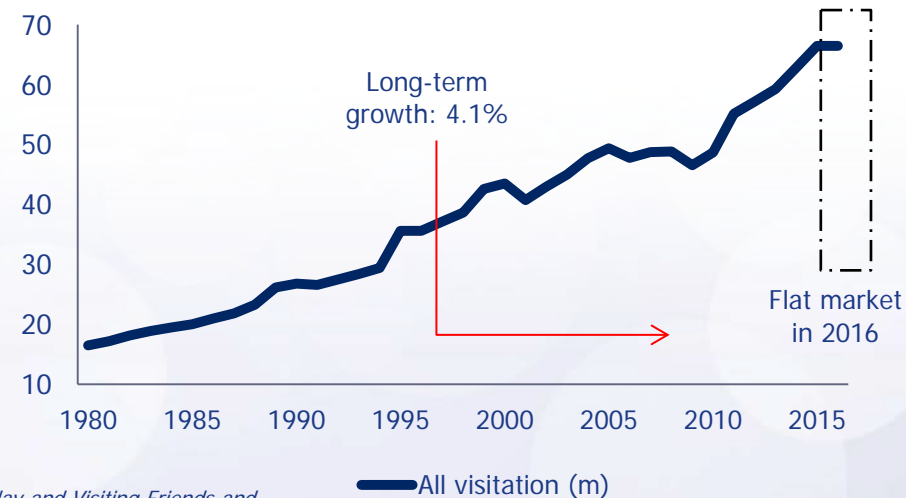
New York



Hong Kong



Orlando



LONDON MARKET GROWTH

FX impacts short term growth, with lagged effect



Strong growth in inbound Holiday visitation prior to currency moves...

....Return of EUR/GBP to historic levels... early signs of improvement in visitation trends in Q4'16....



SECURITY CONCERNS IN GATEWAY CITIES

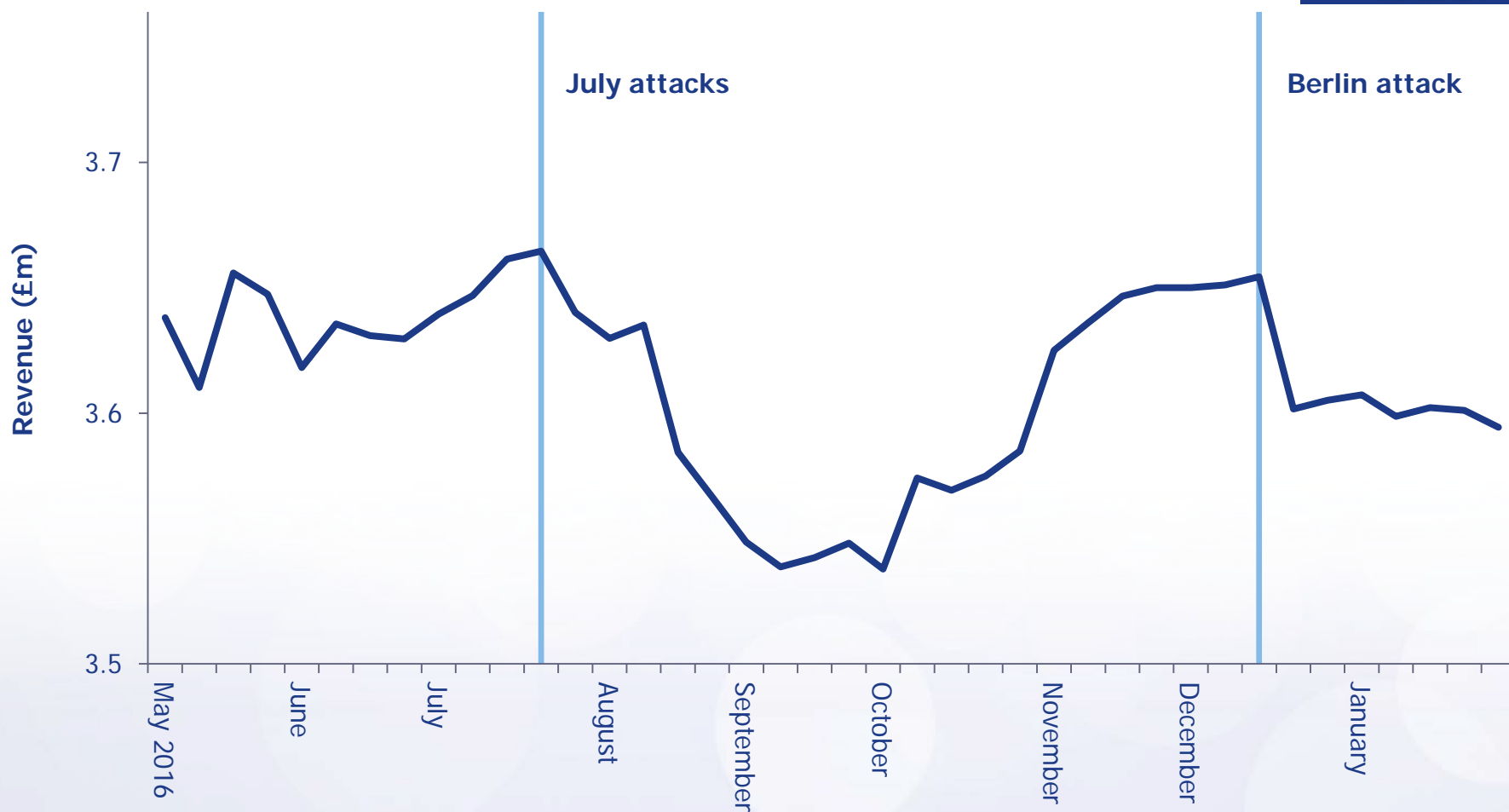


 *Terror incident in close proximity to Merlin Attractions*

TRADING IMPACT FROM SECURITY CONCERNS



SEA LIFE Munich – Moving Annual Total



MIDWAY COST ENVIRONMENT AND RESPONSE



Cost pressures

Mitigation

Midway LFL Operating Cost base of c£300m in 2016

✦ Incremental c1% increase a result of:

✦ Wage legislation (UK, US and Germany)

✦ Business rates in UK

✦ Wage inflation in Asia of c6%

✦ Underlying cost inflation of c2-3%

✦ Productivity benchmarking

✦ Restructuring of support functions and regionalisation

✦ Efficiency drive

✦ 1%+ saving: Combination of structural, and volume-driven savings



Midway LFL opex growth <2%

MIDWAY ENHANCED PRODUCT AND MARKETING



Madame
Tussauds



MIDWAY ATTRACTIONS - SUMMARY



- ✦ Challenging two years following strong market growth historically
- ✦ Cost base needed to be adapted due to:
 - ✦ Terror attacks and the impact on visitation to key markets
 - ✦ Impact of legislative changes (wages and UK Business Rates)



- ✦ Detailed operational review of the Midway model
- ✦ Refocused marketing and capex
- ✦ Productivity initiatives and cost mitigation limiting cost growth to <2%
- ✦ **Well placed for a recovery in key markets, but planning prudently**

LEGOLAND PARKS



- ✦ Further roll out of the highly popular NINJAGO themed product in 2017, coinciding with the movie, and reflecting continued LEGO investment
- ✦ Further marketing and product activation around LEGO Batman movie
- ✦ Anticipating return to normal levels of growth in 2017



Merlin roll out of NINJAGO product

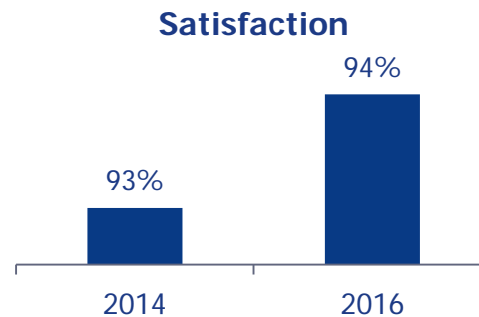
	2016	2017
Billund	NINJAGO World	Cottages & Barrels
California	NINJAGO World	Themed Rooms
Germany	-	NINJAGO World Commercial units
Florida	-	NINJAGO World
Windsor	-	NINJAGO World
Malaysia	-	NINJAGO World

RESORT THEME PARKS



- ✦ Continued recovery at Alton Towers, with ongoing strong customer KPIs
- ✦ Good performance from other parks in 2016
- ✦ 2016 cost savings ahead of initial plans. Some further opportunities in 2017
- ✦ Strong 2017 product offering across the estate, with high year investment at Heide Park
- ✦ Anticipate full recovery in 2018

Alton Towers Key Customer KPIs¹





2020 MILESTONES UPDATE

2020 MILESTONES: ACCOMMODATION

Compelling rationale for investment into themed accommodation



- ★ LEGOLAND California Hotel opened in 2013
- ★ 81% occupancy in 2016, with ARR of \$273
- ★ Guest satisfaction 96% - ahead of park
- ★ 30% EBITDA ROIC¹ since opening



- ★ Warwick Castle Village opened in 2014
- ★ 66% occupancy in 2016 with ARR of £157
- ★ Guest satisfaction 94% - in line with the park
- ★ 21% EBITDA ROIC¹ since opening



2020 MILESTONES: ACCOMMODATION

Milestones on track; Over 1,500 rooms opened or approved



★ Milestone of 2,000 new rooms by the end of 2020

★ 210 rooms added in 2016

★ 381 rooms to be added in 2017

- ★ LEGOLAND Florida Holiday Village (166)
- ★ Alton Towers CBeebies Land Hotel (76)
- ★ LEGOLAND Windsor second hotel (59)
- ★ LEGOLAND Billund Holiday Village expansion (80)



★ Further acceleration in 2018

- ★ LEGOLAND Japan Hotel (252)
- ★ LEGOLAND Dubai Hotel (250)
- ★ LEGOLAND California second hotel (250)
- ★ LEGOLAND Deutschland Pirate Hotel (142)



2020 MILESTONES: MIDWAY

Milestones on track; Over 20 attractions now opened or approved



- ★ Milestone of 40 new Midway attractions by the end of 2020



MIDWAY ROLL OUT: LDC MELBOURNE



First LEGOLAND Discovery Centre in Australia



MIDWAY ROLL OUT: MADAME TUSSAUDS DELHI



Madame
Tussauds ★

First Merlin
attraction
in India

MIDWAY ROLL OUT: LITTLE BIG CITY BERLIN



First opening of the new, in-house created brand 'Little Big City'



2020 MILESTONES: LEGOLAND PARKS

Milestones on track; 2 new parks opened by the end of 2017



- ✦ Milestone of four new parks by the end of 2020
- ✦ LEGOLAND Dubai opened in October 2016
- ✦ LEGOLAND Japan on schedule to open in April 2017
- ✦ Further progress towards opening LEGOLAND Korea, targeting 2019
- ✦ Continued discussions regarding opportunities in New York and China

SUMMARY

Results in line with expectations

*Confident in our growth strategy
and outlook*



- ✦ Good progress in a challenging market environment, reflecting strategy of portfolio diversification
- ✦ Prudent planning assumptions for 2017
- ✦ Confident in 2020 milestones
- ✦ Positive outlook for 2017 and beyond



Q&A

APPENDIX



MIDWAY FINANCIALS



£ millions, unless stated	2016 (52 Weeks)	2015	Reported Currency	Constant Currency	2016 (53 Weeks)
Revenue	621	561	10.8%	3.4%	638
Like for like growth	(0.2)%	2.3%			
EBITDA	224	221	1.5%	(4.7)%	236
<i>Margin</i>	<i>36.1%</i>	<i>39.4%</i>			<i>37.0%</i>
Operating Profit	160	167	(4.3)%	(9.7)%	172
Margin	25.7%	29.7%			26.9%
Existing Estate Capex ¹	47	42			
% of revenue ¹	7.3%	7.6%			

LEGOLAND PARKS FINANCIALS



£ millions, unless stated	2016 (52 Weeks)	2015	Reported Currency	Constant Currency	2016 (53 Weeks)
Revenue	486	429	13.5%	2.9%	495
Like for like growth	1.6%	8.2%			
EBITDA	188	169	11.1%	0.5%	193
<i>Margin</i>	<i>38.7%</i>	<i>39.6%</i>			<i>39.0%</i>
Operating Profit	160	146	9.1%	(1.4)%	165
Margin	32.9%	34.2%			33.3%
Existing Estate Capex ¹	39	34			
% of revenue ¹	7.9%	8.0%			

RESORT THEME PARKS FINANCIALS



£ millions, unless stated	2016 (52 Weeks)	2015	Reported Currency	Constant Currency	2016 (53 Weeks)
Revenue	319	285	11.8%	5.8%	322
Like for like growth	4.3%	(12.4)%			
EBITDA	69	47	45.9%	28.1%	70
<i>Margin</i>	<i>21.5%</i>	<i>16.5%</i>			<i>21.6%</i>
Operating Profit	37	18	109.7%	61.3%	38
Margin	11.6%	6.2%			11.9%
Existing Estate Capex ¹	42	35			
% of revenue ¹	12.9%	12.2%			

NET DEBT



£ millions, unless stated	2016	2015
Loans and borrowings	1,152	1,007
Cash and cash equivalents	(215)	(152)
	937	855
Finance lease obligations	88	82
Net Debt	1,025	937
Net Debt / EBITDA	2.3x	2.3x

Credit Ratings

- ★ S&P: BB, stable outlook
- ★ Moody's: Ba2, stable outlook

COST BREAKDOWN



£ millions, unless stated	2016 (52 weeks)	2015	Reported Growth	Constant Currency
Employment costs	379	327	16.0%	8.2%
% of revenue	26.0%	25.5%		
Rent	92	87	6.7%	2.0%
% of revenue	6.3%	6.8%		
Marketing	75	68	10.1%	3.4%
% of revenue	5.1%	5.3%		
Other	227	201	12.6%	6.0%
% of revenue	15.6%	15.7%		

MIDWAY REVENUE SPLIT



£ millions, unless stated	2016 (52 weeks)	2015	Reported Growth	Constant Currency
Statutory visitors ¹ (m)	39.8	39.2	1.4%	
Revenue per capita (£)	14.89	13.66	9.0%	1.8%
Visitor revenue	592	536	10.6%	3.2%
Other revenue	29	25	14.8%	6.8%
Total revenue	621	561	10.8%	3.4%

LEGOLAND PARKS REVENUE SPLIT



£ millions, unless stated	2016 (52 weeks)	2015	Reported Growth	Constant Currency
Statutory visitors ¹ (m)	11.0	11.0	(0.2)%	
Revenue per capita (£)	35.47	31.62	12.2%	1.6%
Visitor revenue	389	348	12.0%	1.4%
Other revenue	97	81	20.3%	9.5%
Total revenue	486	429	13.5%	2.9%

RESORT THEME PARK REVENUE SPLIT



£ millions, unless stated	2016 (52 weeks)	2015	Reported Growth	Constant Currency
Statutory visitors (m)	10.4	10.3	1.5%	
Revenue per capita (£)	24.29	21.85	11.2%	4.6%
Visitor revenue	253	224	12.9%	6.3%
Other revenue	66	61	7.8%	4.0%
Total revenue	319	285	11.8%	5.8%

FX SENSITIVITY



£ millions, unless stated	2015	2016	% Change	Revenue impact, £m
USD	1.54	1.37	11.3%	42
EUR	1.39	1.23	11.5%	30
AUD	2.04	1.83	10.4%	9
Other				20
Total				101

£ millions, unless stated	2015	2016	% Change	EBITDA impact, £m
USD	1.54	1.37	11.3%	17
EUR	1.40	1.21	13.4%	12
AUD	2.06	1.81	12.1%	3
Other				7
Total				39

DEBT FACILITIES



	Total (£m)	Maturity	Interest rate
5Y Term Loan	723	2020	L/E + 200 bps
Bond	424	2022	Fixed 275 bps
Drawn Term Debt¹	1,147		
£300m RCF (Undrawn)	300	2020	L/E + 175 bps
Total Facilities	1,447		

ATTRACTION COUNT



	UK			Cont. Europe			Americas			Asia Pacific			Group		
	26 Dec 2015	Mov't	31 Dec 2016	26 Dec 2015	Mov't	31 Dec 2016	26 Dec 2015	Mov't	31 Dec 2016	26 Dec 2015	Mov't	31 Dec 2016	26 Dec 2015	Mov't	31 Dec 2016
SEA LIFE	13	-	13	18	-	18	8	-	8	8	-	8	47	-	47
Madame Tussauds	2	-	2	3	1	4	6	-	6	8	1	9	19	2	21
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC	1	-	1	3	-	3	7	2	9	2	1	3	13	3	16
Eye	2	-	2	-	-	-	1	-	1	1	-	1	4	-	4
Shrek	1	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	-	-	-	-	-	6	-	6	6	-	6
Midway	24	-	24	27	1	28	23	2	25	25	2	27	99	5	104
LLP	1	-	1	2	-	2	2	-	2	1	1	2	6	1	7
RTP	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
Group	29	-	29	31	1	32	25	2	27	26	3	29	111	6	117

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 2016 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	2016 Like for like growth refers to the growth between 2015 and 2016 on a constant currency basis using 2016 exchange rates and includes all businesses owned and operated before the start of 2015
LLP	LEGOLAND Parks Operating Group
MAP	Merlin Annual Pass
Midway	Midway Attractions Operating Group

Key Terms	Definition
NBD	New Business Development
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
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

WORLD OF ATTRACTIONS

★ NORTH AMERICA ATTRACTIONS



Arizona
California
Charlotte
Dallas
Kansas City
Michigan
Minnesota
Orlando



Hollywood
Las Vegas
New York
Orlando
San Francisco
Washington DC



San Francisco



Orlando



California
Florida



Arizona
Atlanta
Boston
Chicago
Dallas
Kansas City
Michigan
Toronto
Westchester

● UK ATTRACTIONS



Birmingham
Blackpool
Brighton
Great Yarmouth
Hunstanton
Loch Lomond
London
Manchester
Scarborough
Weymouth
and Tower



Gweek
Oban



Blackpool
Edinburgh
London
Warwick
York



Blackpool
London



Warwick



Windsor



Alton



Chertsey



Manchester



Chessington



London



London
Blackpool

■ ASIA ATTRACTIONS



Bangkok
Busan
Shanghai



Bangkok
Beijing
Chongqing
Hong Kong
Singapore
Shanghai
Tokyo
Wuhan



Dubai
Malaysia



Osaka
Shanghai
Tokyo

▲ EUROPE ATTRACTIONS



Benalmadena
Berlin
Blankenberge
Bray
Gardaland
Hannover
Helsinki
Istanbul
Jesolo
Königswinter
Konstanz
München
Oberhausen
Paris
Porto
Scheveningen
Speyer
Timmendorfer
Strand



Amsterdam
Berlin
Istanbul
Vienna



Amsterdam
Berlin
Hamburg



Lake Garda



Soitau



Billund
Günzburg



Berlin
Istanbul
Oberhausen

◆ AUSTRALIA / NEW ZEALAND ATTRACTIONS



Auckland
Melbourne
Mooloolaba
Sydney



Sydney



Manly



Otway
Illawarra



Sydney
Hamilton Island



Mount Hotham



Sydney



Falls Creek

MERLIN
ENTERTAINMENTS

As at 31 December 2016

FORWARD-LOOKING STATEMENTS DISCLAIMER



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