

# 2016 INTERIM RESULTS PRESENTATION



28 JULY 2016

**MERLIN**  
ENTERTAINMENTS

# 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 managements 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.



# SUMMARY GROUP PERFORMANCE



- ★ Resilient Group performance:
  - ★ Reflects diverse portfolio
  - ★ Strong contribution from new attractions and accommodation
- ★ Continued strength in LEGOLAND Parks
- ★ Ongoing challenges in city centre markets in Midway Attractions
  - ★ Residual effect of Sterling strength on the London Division
  - ★ Heightened security concerns
- ★ Early season RTP trading in line with expectations
- ★ Strong NBD contribution; on track for 2020 milestones





# FINANCIAL RESULTS

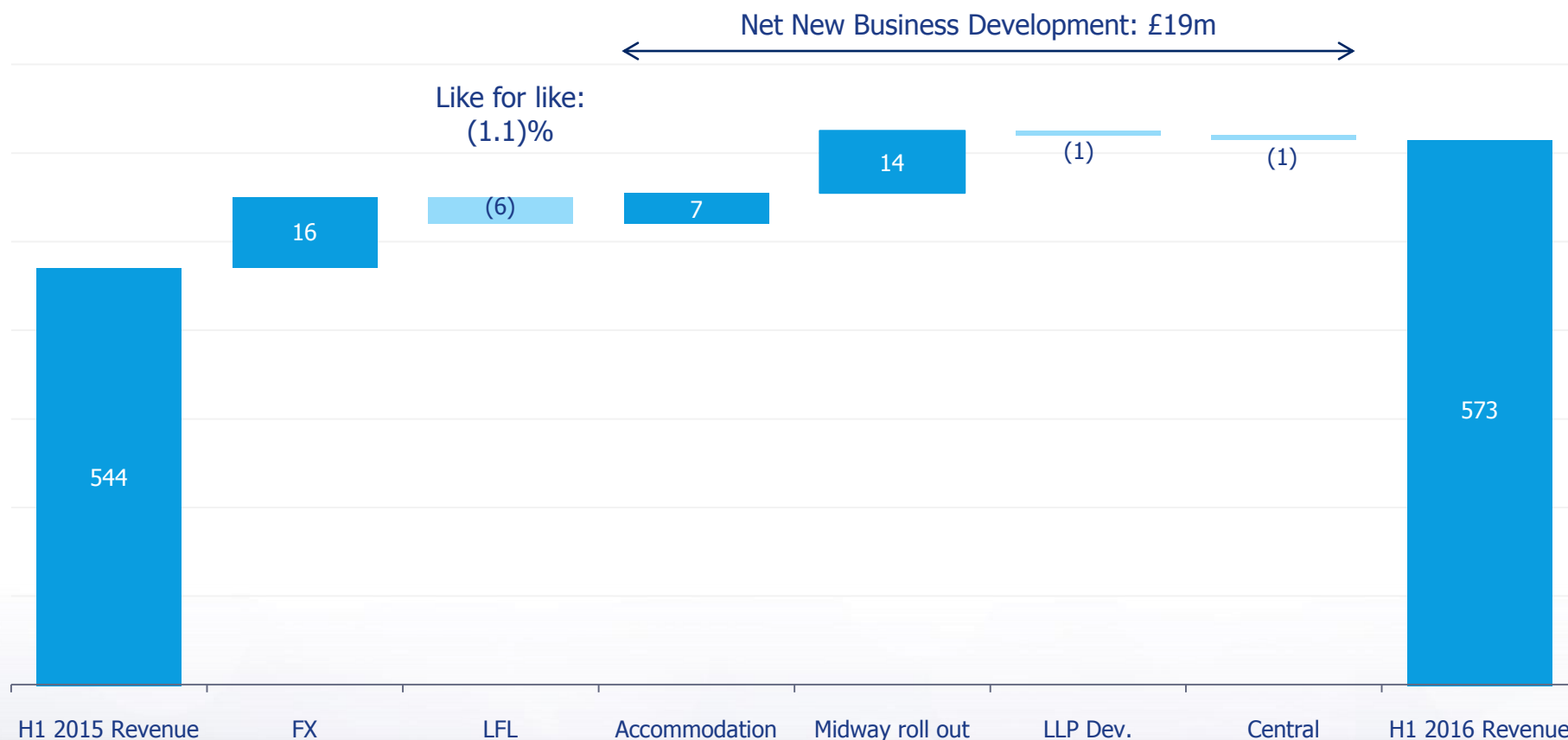
*Andrew Carr, Chief Financial Officer*

# SUMMARY FINANCIALS



£ millions, unless stated	H1 2016	H1 2015	Reported Currency	Constant Currency	Like for like
Revenue	573	544	5.3%	2.3%	(1.1)%
EBITDA	126	123	2.7%	(1.5)%	
Margin	22.0%	22.6%			
Operating Profit	70	71	(2.2)%	(7.5)%	
PBT	50	49	0.9%		
Underlying profit for the period	37	35	3.2%		
Adjusted EPS	3.6p	3.5p	3.2%		
Dividend per Share	2.2p	2.1p	4.8%		

# REVENUE BRIDGE H1'15 – H1'16



LIKE FOR LIKE REVENUE DECLINE OFFSET BY STRONG NEW BUSINESS DEVELOPMENT AND FX

# MIDWAY FINANCIALS



£ millions, unless stated	H1 2016	H1 2015	Reported Currency	Constant Currency
Revenue	270	252	7.1%	5.3%
Like for like growth	(0.2)%	2.9%		
EBITDA	91	87	1.5% <sup>(1)</sup>	0.0% <sup>(1)</sup>
Margin	33.6%	34.7%		
Operating Profit	64	62	(0.6)% <sup>(1)</sup>	(2.1)% <sup>(1)</sup>
Margin	23.6%	24.7%		
Existing Estate Capex	22	24		

✦ Challenging city centre tourist market across Europe:

- ✦ Residual effect of Sterling strength
- ✦ Heightened security concerns

✦ Three new Midways opened

✦ Margin decline a result of like for like revenue performance in high margin attractions

# LEGOLAND PARKS FINANCIALS



£ millions, unless stated	H1 2016	H1 2015	Reported Currency	Constant Currency
Revenue	198	178	11.1%	5.7%
Like for like growth	3.3%	6.0%		
EBITDA	66	58	13.4% <sup>(1)</sup>	7.6% <sup>(1)</sup>
Margin	33.5%	32.5%		
Operating Profit	53	47	12.3% <sup>(1)</sup>	6.3% <sup>(1)</sup>
Margin	26.9%	26.4%		
Existing Estate Capex	22	19		

✦ Continued growth in like for like performance

✦ Contribution from new accommodation:

- ☀ Full year benefit of 152 room hotel at LEGOLAND Florida opened in 2015
- ☀ LEGOLAND Deutschland (47 rooms)



# RESORT THEME PARKS FINANCIALS



£ millions, unless stated	H1 2016	H1 2015	Reported Currency	Constant Currency
Revenue	104	112	(7.0)%	(9.1)%
Like for like growth	(10.2)%	(2.0)%		
EBITDA	(8)	(6)	<i>nm<sup>(1)</sup></i>	<i>nm<sup>(1)</sup></i>
Margin	<i>nm<sup>(1)</sup></i>	<i>nm<sup>(1)</sup></i>		
Operating Loss	(22)	(20)	<i>nm<sup>(1)</sup></i>	<i>nm<sup>(1)</sup></i>
Margin	<i>nm<sup>(1)</sup></i>	<i>nm<sup>(1)</sup></i>		
Existing Estate Capex	26	21		

✦ Continued impact of lower volumes at Alton Towers, partly offset by planned cost savings

✦ Contribution from new accommodation:

- ✦ Gardaland 100 room hotel
- ✦ Chessington Glamping (35 rooms)
- ✦ Full year benefit of 125 lodge holiday village at Alton Towers opened in 2015
- ✦ Warwick Castle lodges (28 rooms) – opened after period end

# SUMMARY UNDERLYING P&L



£ millions, unless stated	H1 2016	H1 2015	Reported Currency	Constant Currency
Op. Group EBITDA	149	139	4.0% <sup>(1)</sup>	0.4% <sup>(1)</sup>
Central Costs	(23)	(16)	(12.0)% <sup>(1)</sup>	(12.0)% <sup>(1)</sup>
<b>EBITDA</b>	<b>126</b>	<b>123</b>	<b>2.7%</b>	<b>(1.5)%</b>
D&A	(56)	(52)	(9.5)%	(7.2)%
<b>Operating Profit</b>	<b>70</b>	<b>71</b>	<b>(2.2)%</b>	<b>(7.5)%</b>
Net Finance Costs	(20)	(22)	9.3%	
<b>PBT</b>	<b>50</b>	<b>49</b>	<b>0.9%</b>	
Tax	(13)	(14)	5.1%	
<b>Underlying profit for the period</b>	<b>37</b>	<b>35</b>	<b>3.2%</b>	

## Full year 2016 Guidance

- ✦ Central costs of c£45m
- ✦ D&A of £120-125m
- ✦ Financing costs of £40-45m
- ✦ Tax rate expected to be c26%

# CAPITAL EXPENDITURE AND ACQUISITIONS



£ millions, unless stated	H1 2016	H1 2015
Existing Estate <sup>1</sup>	76	70
New Business Development		
- Accommodation	21	27
- Midway	19	29
- LLP Development	4	1
Total Capital Expenditure	120	127
Other Investment <sup>2</sup>	25	-

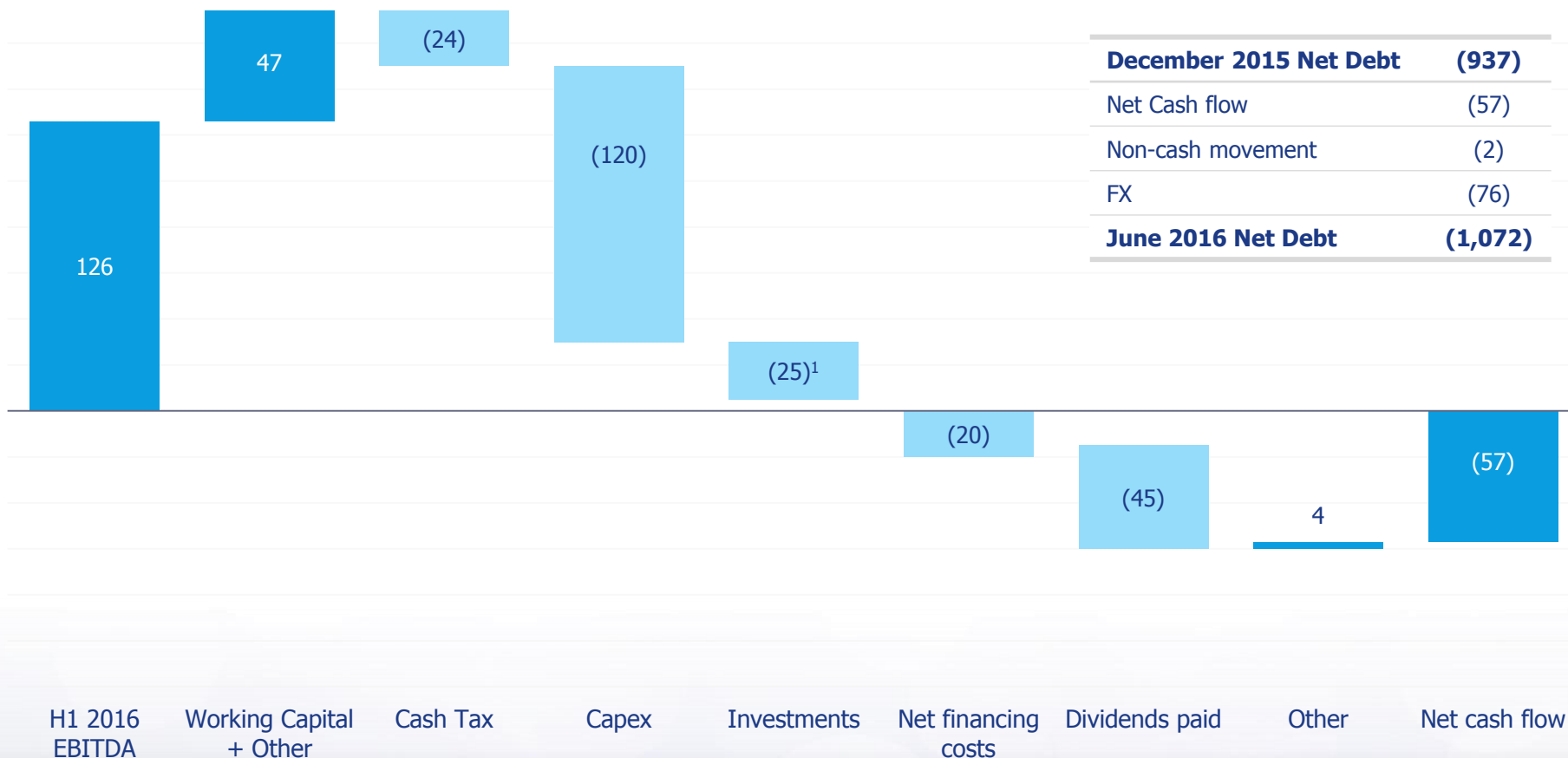
## Existing estate capex

- Investment in to new rides or features at every attraction according to capex cycle

## New Business Development

- Consistent with annual guidance for total capex of £250-270m

# CASHFLOW



<b>December 2015 Net Debt</b>	<b>(937)</b>
Net Cash flow	(57)
Non-cash movement	(2)
FX	(76)
<b>June 2016 Net Debt</b>	<b>(1,072)</b>

NET CASH FLOW REFLECTS SEASONALITY OF TRADING AND CAPEX, AND 2015 FINAL DIVIDEND



# OUTLOOK

*Nick Varney, Chief Executive Officer*

# MIDWAY LONDON TRADING



## ★ Challenging market

- ★ International holiday visitation to UK down 4% Jan-May<sup>1</sup>
- ★ International inbound spend per head down 6% Jan-May<sup>2</sup>

## ★ Causes of weakness

- ★ Residual effect of stronger Sterling
- ★ Heightened security concerns

## ★ Action plan in place

- ★ Marketing campaign, focused upon domestic market in London and South East
- ★ Cost savings measures in place



# MIDWAY EUROPE (EX. LONDON)



- Most mature and numerous division within Midway:
- >40 attractions
- All core brands
- 11 countries
- Mid single digit LFL revenue growth year to date<sup>1</sup>
- Demonstrates continued strength in Midway concept and core brands



Birmingham  
Blackpool  
Bray  
Brighton  
Great Yarmouth  
Gweek  
Hunstanton  
Loch Lomond  
Manchester  
Oban

Scarborough  
Weymouth  
& Jurassic Skyline  
Berlin  
Hannover  
Konigswinter  
Konstanz  
Munich  
Oberhausen  
Timmendorfer Strand

Speyer  
Benalmadena  
Blankenberge  
Helsinki  
Istanbul  
Paris  
Porto  
Scheveningen



Blackpool  
Berlin  
Vienna  
Amsterdam



Manchester  
Berlin  
Oberhausen  
Istanbul



Blackpool  
Edinburgh  
York  
Berlin  
Hamburg  
Amsterdam



Blackpool Tower



# LDC SHANGHAI OPENING



- ★ First LEGOLAND-branded attraction in China
- ★ One of the highest LDC satisfaction scores:
  - ★ Overall satisfaction: >95%
  - ★ 'Recommend': >95%
- ★ >100k visitors since opening in April, significantly ahead of budget
- ★ Provides confidence in long term opportunity for the brand in the region





# OUTLOOK



- ✦ Continuation of year to date trends expected in the balance of year
- ✦ Confident in the delivery of significant year on year growth in profit
- ✦ Confident in long term outlook
  - ✦ Strong product pipeline in each Op. Group for 2017 and beyond
  - ✦ 2 new LEGO movies to be launched in 2017
  - ✦ Significant step-up in accommodation roll out in 2017
  - ✦ Opening of LEGOLAND Japan in April 2017
  - ✦ Continued recovery of Alton Towers Resort
  - ✦ **..and plenty more Merlin Magic to come!**



Q&A

# APPENDIX

# REVISED ALLOCATION OF CENTRAL COSTS



£ millions, unless stated	H1 2015 as reported	Adjustment	H1 2015 – new basis
Midway Attractions	87	2	89
LEGOLAND Parks	58	1	59
Resort Theme Parks	(6)	1	(5)
Central	(16)	(4)	(20)
<b>Group EBITDA</b>	<b>123</b>	<b>nil</b>	<b>123</b>



# EXCEPTIONAL ITEMS



£ millions, unless stated	H1 2016	H1 2015
Refinancing	-	13
<b>Net exceptional items</b>	<b>-</b>	<b>13</b>
Tax impact	-	(3)
<b>Post tax exceptional items</b>	<b>-</b>	<b>10</b>

# NET DEBT



£ millions, unless stated	June 2016	Dec 2015	June 2015
Interest-bearing loans and borrowings	1,087	1,007	976
Cash and cash equivalents	(101)	(152)	(68)
	986	855	908
Finance lease obligations	86	82	81
Net Debt	1,072	937	989

## Credit Ratings

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

# MIDWAY REVENUE SPLIT



£ millions, unless stated	H1 2016	H1 2015	Reported Growth
Statutory visitors <sup>1</sup> (m)	18.7	18.1	3.5%
Revenue per capita (£)	13.80	13.41	2.9%
Visitor revenue	258	242	6.5%
Other revenue	12	10	22.7%
<b>Total revenue</b>	<b>270</b>	<b>252</b>	<b>7.1%</b>

# LEGOLAND PARKS REVENUE SPLIT



£ millions, unless stated	H1 2016	H1 2015	Reported Growth
Statutory visitors <sup>1</sup> (m)	4.5	4.5	0.3%
Revenue per capita (£)	34.52	31.71	8.9%
Visitor revenue	156	143	9.1%
Other revenue	42	35	19.1%
<b>Total revenue</b>	<b>198</b>	<b>178</b>	<b>11.1%</b>



# RESORT THEME PARKS REVENUE SPLIT



£ millions, unless stated	H1 2016	H1 2015	Reported Growth
Statutory visitors <sup>1</sup> (m)	3.7	4.1	(11.3)%
Revenue per capita (£)	21.66	21.01	3.1%
Visitor revenue	79	87	(8.5)%
Other revenue	25	25	(1.7)%
<b>Total revenue</b>	<b>104</b>	<b>112</b>	<b>(7.0)%</b>

# GROUP REVENUE SPLIT



£ millions, unless stated	H1 2016	H1 2015	Reported Growth
Statutory visitors <sup>1</sup> (m)	26.9	26.7	0.7%
Revenue per capita (£)	18.36	17.68	3.8%
Visitor revenue	493	472	4.5%
Other revenue	80	72	10.4%
<b>Total revenue</b>	<b>573</b>	<b>544</b>	<b>5.3%</b>

# LEGOLAND JAPAN AND LEGOLAND KOREA COMBINED FINANCIALS



	2016	2017	2018
--	------	------	------

---

**Capex**

£30m-£50m

£40m-£60m

£10m-£30m

---

**Pre-opening costs**

£3m-£5m

£5m-£10m

£1m-£2m

# FX SENSITIVITY



£ millions, unless stated	H1 2016	H1 2015	% Change	Revenue impact, £m
USD	1.44	1.53	5.8%	10
EUR	1.29	1.37	5.7%	5
AUD	1.98	1.93	(2.7)%	(1)
Other				2
<b>Total</b>				<b>16</b>

£ millions, unless stated	H1 2016	H1 2015	% Change	EBITDA impact, £m
USD	1.44	1.53	5.8%	4
EUR	1.28	1.44	10.7%	1
AUD	2.01	1.91	(5.1)%	-
Other				-
<b>Total</b>				<b>5</b>

# COST BREAKDOWN



£ millions, unless stated	H1 2016	H1 2015	Constant Currency	Reported Growth
Employment costs	174	157	8.2%	11.0%
% of revenue	30.4%	28.8%		
Rent	44	42	2.3%	3.7%
% of revenue	7.7%	7.8%		
Marketing	40	38	3.5%	6.5%
% of revenue	7.0%	6.9%		
Other	101	103	(4.4)%	(2.4)%
% of revenue	17.5%	18.9%		



# ATTRACTION COUNT



	UK			Cont. Europe			Americas			Asia Pacific			Group		
	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016
SEA LIFE	13	-	13	18	-	18	8	-	8	8	-	8	47	-	47
Madame Tussauds	2	-	2	3	-	3	6	-	6	8	-	8	19	-	19
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
<b>Midway</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>27</b>	<b>-</b>	<b>27</b>	<b>23</b>	<b>2</b>	<b>25</b>	<b>25</b>	<b>1</b>	<b>26</b>	<b>99</b>	<b>3</b>	<b>102</b>
<b>LLP</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>RTP</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Group</b>	<b>29</b>	<b>-</b>	<b>29</b>	<b>31</b>	<b>-</b>	<b>31</b>	<b>25</b>	<b>2</b>	<b>27</b>	<b>26</b>	<b>1</b>	<b>27</b>	<b>111</b>	<b>3</b>	<b>114</b>

# 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
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
LLB	LEGOLAND Billund Resort
LLC	LEGOLAND California Resort
LLD	LEGOLAND Deutschland Resort
LLF	LEGOLAND Florida Resort
LLM	LEGOLAND Malaysia Resort
LLP	LEGOLAND Parks Operating Group
LLW	LEGOLAND Windsor Resort
MAP	Merlin Annual Pass
Midway	Midway Attractions Operating Group

# GLOSSARY (CONT.)

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
Visitors	Represents all individual visits to Merlin owned or operated attractions

# WORLD OF ATTRACTIONS

## ★ NORTH AMERICA ATTRACTIONS



## ● UK ATTRACTIONS



## ■ ASIA ATTRACTIONS



## ▲ EUROPE ATTRACTIONS



## ◆ AUSTRALIA/NEW ZEALAND ATTRACTIONS







MERLIN  
ENTERTAINMENTS