

# Forward-Looking Statements Disclaimer

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# Agenda

Overview
Financial Results
Strategic Update

Nick Varney Andrew Carr Nick Varney





























# Summary Group Performance

★ Visitors: 27.5m (+6.6%)

★ Revenue: £513m (+11.2% CC¹, +6.1% reported)

★ Like for like revenue growth: +8.1%

★ EBITDA: £120m (+14.3% CC¹, +7.5% reported)

★ Net Income: £29m (2013: loss of £11m)

Dividend: 2.0p



### A strong start to 2014. On track for full year expectations.



# Summary Op. Group Performance

★ Like for like revenue growth: +8.1%

★ Midway Attractions +1.9%

★ LEGOLAND Parks +19.0%

★ Resort Theme Parks +7.7%



Madame Tussauds Wuhan

Portfolio benefits highlighted during periods of differing divisional performance



### Capex cycle

- ★ CBeebies Land Alton Towers
- Legends of Chima waterpark LEGOLAND California
- ★ Penguin Ice Adventure SLC Birmingham
- Synergies
  - VIP Pass launch
  - Ticketing trials
- Destination positioning
  - ★ LEGOLAND Deutschland new hotel and LEGOLAND Billund hotel extension
  - \* Azteca hotel in Chessington
- Midway roll out
  - 5 opened year to date
  - ★ MT Singapore to open in Nov/Dec
- ★ LLP Developments
  - ★ LEGOLAND Dubai planned for 2016
  - ★ LEGOLAND Japan planned for 2017
- Strategic Acquisitions



**CBeebies Land at Alton Towers** 



- Capex cycle
  - CBeebies Land Alton Towers
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68-room King's Castle hotel at LEGOLAND Deutschland



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Opening weekend at MT Beijing



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# **Financial Results**



# Merlin Reporting Cycle

Event	Date <sup>1</sup>	2013 % revenue <sup>2</sup>	Disclosure	Delivery
Q1 IMS	May 15 <sup>th</sup>	22%	- Group level revenue growth	Conf. call
Interims	July 31st	41%	- Full P&L - Detail by Op. Group	Audio Webcast
Q3 IMS	September 18 <sup>th</sup>	77%	- Op. Group level revenue growth	Meeting
Pre-close update	December 2 <sup>nd</sup>	94%	- Group level revenue growth	-
Prelims	February 27 <sup>th</sup>	100%	- Full P&L - Detail by Op. Group	Meeting

Note: Subject to change

<sup>&</sup>lt;sup>1</sup> Based on 2014 announced schedule

<sup>&</sup>lt;sup>2</sup> Shows cumulative revenue up to the end of the reporting period



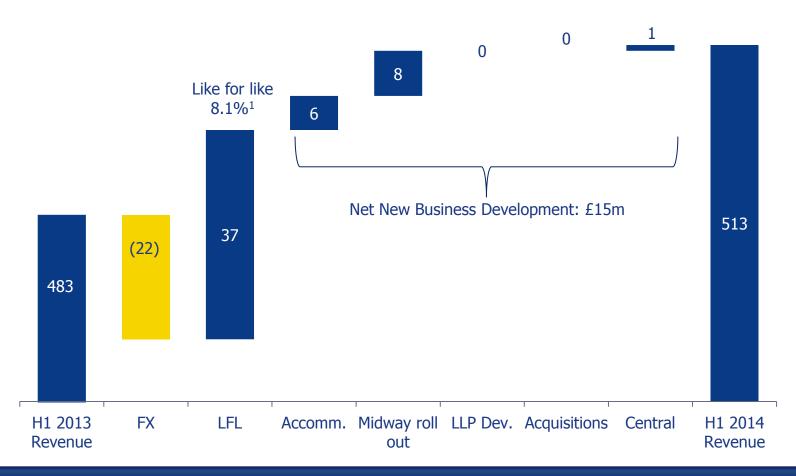
# Summary

£ millions, unless stated	H1 2014	H1 2013	Reported Growth	Constant FX Growth	Like for like Growth
Revenue	513	483	6.1%	11.2%	8.1%
EBITDA	120	111	7.5%	14.3%	
Margin	23.3%	23.0%			
Operating Profit	71	64	10.0%	18.0%	
PBT	40	(11)			
Net Income	29	(11)			
Dividend	2.0p	n/a			

### Further growth in visitors, revenue and profits



### Revenue Bridge H1'13 - H1'14



Revenue growth driven by like for like. NBD growth H2-weighted.



# Midway Financials

£ millions, unless stated	H1 '14	H1 '13	Reported	Constant Currency
Revenue	233	235	(0.6)%	5.6%
Like for like growth <sup>1</sup>	1.9%	9.3%		
EBITDA	85	86	(1.1)%	3.7%
Operating Profit	61	62	(1.7)%	2.2%
Existing Estate Capex	18	15	18.7%	

- ★ Five new sites opened in H1
- ★ MT Singapore to open in Nov/Dec
- ★ LFL Growth below long term trend:
  - ★ Strong H1′13 comparatives
  - ★ Political disruption in Bangkok
  - ★ 'Polar vortex' on US attractions
  - ★ Deferred high year capex projects in two sites
- \* FX headwind

### Underlying growth despite difficult comparables



### **LEGOLAND Parks Financials**

£ millions, unless stated	H1 '14	H1 '13	Reported	Constant Currency	
Revenue	162	139	16.5%	22.8%	
Like for like growth <sup>1</sup>	19.0%	1.2%			
EBITDA	50	38	31.7%	41.0%	
Operating Profit	39	27	42.4%	54.1%	
Existing Estate Capex	18	18	0.2%		

- Impact of LEGO movie:
  - Successful marketing and promotion
  - ★ Greatest impact in US parks
  - ★ Some uplift in Europe and LDCs
  - ★ Uplift in retail spend implications for margins
- ★ Weather more favourable throughout Easter, particularly in LEGOLAND Windsor
- ★ Strong Group promotional activity
- Hotel extension at LEGOLAND Billund and new hotel at LEGOLAND Deutschland have traded well
- ★ Capex projects on track and budget

### Growth boosted by LEGO movie and more favourable weather



### Resort Theme Parks Financials

£ millions, unless stated	H1 ′14	H1 '13	Reported	Constant Currency		
Revenue	117	109	7.0%	8.4%		
Like for like growth <sup>1</sup>	7.7%	0.0%				
EBITDA	2	-	-	-		
Operating Loss	(12)	(12)	(0.1)%	(0.6)%		
Existing Estate Capex	20	18	13.7%			

- ★ Good performance from Heide Park (high year capex)
- ★ CBeebies Land at Alton Towers
- Weather more favourable throughout Easter
- New Azteca hotel at Chessington expected to open in August
- ★ Capex projects on track and budget

### Trading on track ahead of peak season



# Summary Underlying P&L

£ millions, unless stated	H1 '14	H1 '13	%
Op. Group EBITDA	137	124	9.8%
Central Costs	(17)	(13)	(30.3)%
EBITDA	120	111	7.5%
D&A	(49)	(47)	(4.1)%
Operating profit	71	64	10.0%
Net finance costs	(31)	(75)	59.0%
PBT	40	(11)	-
Tax	(11)	-	-
Net profit / (loss)	29	(11)	-

### **P&L Guidance**

- ★ Share-based payments now allocated to Op. Groups split approximately 50:50 between Op. Groups and Central
- ★ Central costs of between £30-35m in FY2014
- ★ D&A to remain at 8-9% of revenue
- ★ 2014 senior facility costs of 4.4%
  - ★ £7m of finance lease interest
  - ★ £6m non-cash amortisation of financing costs
- ★ Strong trading in US: Effective Tax Rate of 28% in 2014, and Cash Tax Rate of 24%
- ★ FX: FY2013 EBITDA £21m lower if based upon latest rates

### Overall, on track to meet full year expectations



# Capital Expenditure

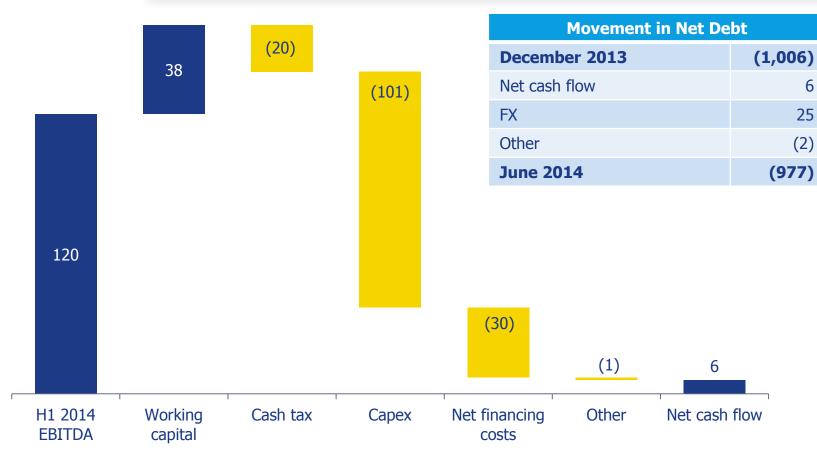
£ millions, unless stated	H1 `14	H1 '13
Existing Estate	61	52
New Business	40	33
Accommodation	17	9
Midway	23	24
LLP Development	0	0
Total Capex	101	85
Acquisitions	0	1
<b>Total Capex and Acquisitions</b>	101	86

- Year-on-year increase in EE capex driven by phasing
- H1 guidance in line with expectations
- ★ FY2014 guidance raised to £195-200m
  - ★ Reflects LEGOLAND Japan capex of £5-10m

### Investment consistent with strategic objectives



### Cashflow



Small cash inflow reflects seasonality of capex vs profit generation

# **Strategic Update**



### **LEGOLAND Japan**

Resident Market Overview

Overview Map of Illustrative Resident Markets for Proposed LEGOLAND Japan





- Summer 2017 opening
- Located in centre of country, between Tokyo and Osaka. Catchment area of 20m+ people
- Good infrastructure and transport links. No local competition
- Strongest theme park market in Asia
  - Developed theme park market
  - High density of population
  - Highly affluent market
- Good LEGO brand awareness huge upside in worlds 2<sup>nd</sup> largest toy market
- Strong support from KIRKBI (property investment) and City of Nagoya (infrastructure)
- Merlin to invest £53m with target cash ROIC of at least 20%
- EBITDA margins of 15-20%



### **LEGOLAND** Japan



- Smaller footprint than other parks, but significant scope for expansion long term
- Best practice' from existing six LEGOLAND parks
- Concept has been evolved and upgraded for the Japanese market





# **LEGOLAND** Parks Developments

### Successful track record of openings

- ★ Florida opened on time and on budget in October 2011
  - Performance has been ahead of expectations
  - ★ On track for at least 20% ROIC
- ★ Malaysia opened in September 2012
  - \* Management contract
  - c£2-3m EBITDA, no capex

### **Future Developments**

- ★ Dubai expected to open in 2016
- ★ LEGOLAND Japan expected to open in summer of 2017



Potential for up to 20 LEGOLAND parks across the world. Targeting at least one opening every 3 years.



# Summary and Outlook

### **Summary**

- ★ Good start to the year
- Early peak season trading has been positive

### Outlook

- Continued growth in existing estate
- More challenging comparatives in H2
- ★ Op. Group like for like trading differences YTD likely to remain, but narrow in balance of 2014
- NBD plans on track for both Midway and accommodation

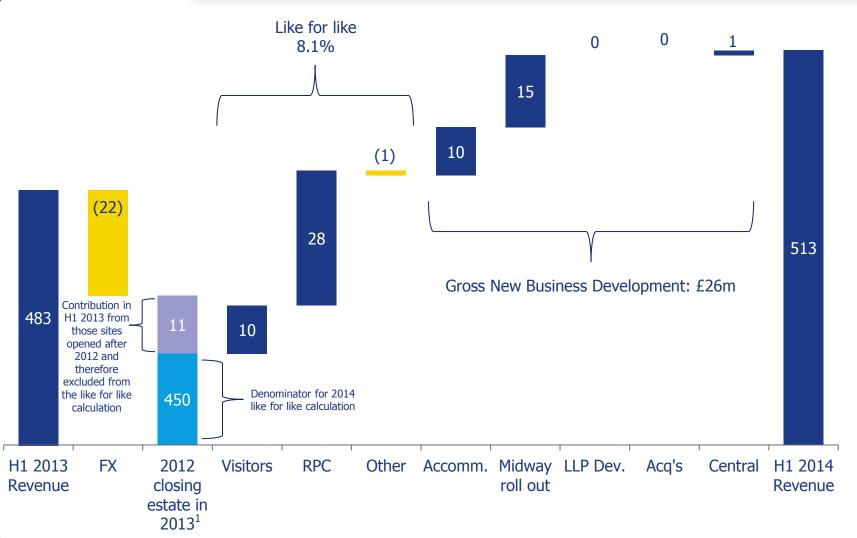
Well placed for growth in 2014 and beyond

# Q&A

# **Appendix**



### Revenue Bridge H1'13 – H1'14



<sup>&</sup>lt;sup>1</sup> Like for like growth of 8.1% (£37m) is based upon the 2012 closing estate revenue contribution in 2013, translated at constant currency 2014 rates. In H1 2013, £11m of revenue was generated from those sites opened after the end of 2012, and these are therefore excluded from the like for like calculation.



### Net Debt

	June 2014	June 2013
Banks loans and borrowings	1,161	1,370
Cash and cash equivalents	(268)	(147)
Net bank debt	893	1,223
Finance lease obligations	84	86
Net debt	977	1,309

### Credit Ratings — Corporate Family Rating

S&P: BB

★ Moody's: Ba3

£332m reduction in Net Debt from IPO proceeds and cash generation



# FX Sensitivity - Revenue

	H1' 13 average FX rates	H1' 14 average FX rates	% change	Revenue impact
EUR	1.18	1.21	(3.3)%	(3)
USD	1.54	1.66	(8.2)%	(9)
AUD	1.52	1.84	(21.3)%	(6)
Other				(4)
Total				(22)



# FX Sensitivity - EBITDA

	H1' 13 average FX rates	H1' 14 average FX rates	% change	EBITDA impact
EUR	1.17	1.23	(4.6)%	(1)
USD	1.53	1.67	(8.7)%	(3)
AUD	1.53	1.84	(20.2)%	(1)
Other				(2)
Total				(7)



# Operating Group financials

	Midw	vay Attrac	tions	LEGOLAND Parks			Reso	rt Theme	Parks	Group			
	2014	2013	%	2014	2013	%	2014	2013	%	2014	2013	%	
Statutory visitors (m)	17.4	17.0	2.8%	4.6	3.9	16.6%	4.4	4.0	8.8%	26.4	24.9	5.9%	
Revenue per cap (£)	12.82	13.14	(2.4)%	29.44	29.65	(0.7)%	21.22	21.43	(1.0)%	17.09	17.07	0.1%	
Visitor revenue (£m)	224	223	0.3%	134	116	15.8%	93	86	7.7%	451	425	6.0%	
Other revenue (£m)	9	12	(18.4)%	28	23	19.9%	24	23	4.7%	62	58	6.9%	
Total revenue (£m)	233	235	(0.6)%	162	139	16.5%	117	109	7.0%	513	483	6.1%	
LFL revenue growth	1.9%	9.3%	-	19.0%	1.2%	-	7.7%	0.0%	-	8.1%	4.3%	-	
EBITDA (£m)	85	86	(1.1)%	50	38	31.7%	2	-	-	120	111	7.5%	
Op. Profit (£m)	61	62	(1.7)%	39	27	42.4%	(12)	(12)	(0.1)%	71	64	10.0%	
EE. Capex (£m)	18	15	18.7%	18	18	0.2%	20	18	13.7%	61	52	18.6%	



### **Attraction Count**

		UK		Co	nt. Euro	pe	1	America	s	A	sia Pacií	fic		Group	
	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014
SEA LIFE	13	-	13	18	-	18	6	-	6	8	-	8	45	-	45
Madame Tussauds	2	-	2	3	-	3	4	1	5	6	1	7	15	2	17
Dungeons	5	-	5	3	-	3	-	1	1	-	-	-	8	1	9
LDC	1	-	1	2	-	2	6	1	7	1	-	1	10	1	11
Eye	2	-	2	-	-	-	-	-	-	1	-	1	3	-	3
Other	-	-	-	-	-	-	-	-	-	6	-	6	6	-	6
Midway	23	-	23	26	-	26	16	3	19	22	1	23	87	4	91
LLP	1	-	1	2	-	2	2	-	2	1	-	1	6	-	6
RTP	4	-	4	3	-	3	-	-	-	-	-	-	7	-	7
Group	28	-	28	31	-	31	18	3	21	23	1	24	100	4	104



