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Ardent Leisure Limited  
ABN 22 104 529 106  
Ardent Leisure Management Limited  
ABN 36 079 630 676  
(AFS Licence No. 247010)



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**ASX RELEASE**

10 April 2017

The Manager  
Company Notices Section  
ASX Limited  
20 Bridge Street  
SYDNEY  
NSW 2000

Dear Sir/Madam

**ARDENT LEISURE GROUP Q3 FY17 TRADING UPDATE****Summary**

- **Main Event achieves record Q3 FY17 revenue growth of 25.1%.**
- **Improvement in Main Event constant centre sales trends, with solid growth in March.**
- **Dreamworld recovery remains on-track despite significant rainfall.**
- **Bowling and Games achieves seventh consecutive quarter of constant centre sales growth.**

**Main Event Entertainment**

Main Event has recorded unaudited revenues of US\$61.5 million for the period from 1 January to 31 March 2017, up 25.1% versus pcp. Adjusting for the impact of the leap year, revenues were up 28.6%<sup>1</sup>. This represents a record third quarter for Main Event.

Constant centre<sup>2</sup> sales decreased 2.5% versus pcp<sup>1</sup>. Main Event experienced competitive pressure in several markets and a challenging consumer discretionary spending environment in Texas, where 14 of 19 constant centres are located. A number of other factors impacted constant centre sales growth in Q3 FY17, including conscious cannibalisation within 3 markets and local highway construction, which impeded access to 2 constant centres.

Constant centre sales trends improved sequentially through each month of the quarter, with solid growth being achieved in March on the back of several key initiatives, including a change in Main Event's primary advertising strategy from radio to television at the end of February.

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<sup>1</sup> Sales growth has been adjusted to remove the impact of leap year in FY16, which resulted in an extra Saturday trading day in Q3 FY16.

<sup>2</sup> Main Event constant centres include centres that have been open for at least 18 months at the beginning of the current financial year. As at the end of Q3 FY17, Main Event had 19 constant centres, comprising 9 older format legacy centres and 10 new format centres.

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Main Event opened 1 new centre in Jacksonville (FL) in Q3 FY17. The Group is on track to open 6 new Main Event centres in Q4 FY17 and expects to end the year with 38 Main Event locations across 14 States.

The refurbishment of the first of Main Event's legacy centres<sup>3</sup> was completed in the quarter and the performance of that centre has been encouraging. The Group plans to refurbish 3 additional legacy centres in Q4 FY17 and the remaining 5 legacy centres in FY18.

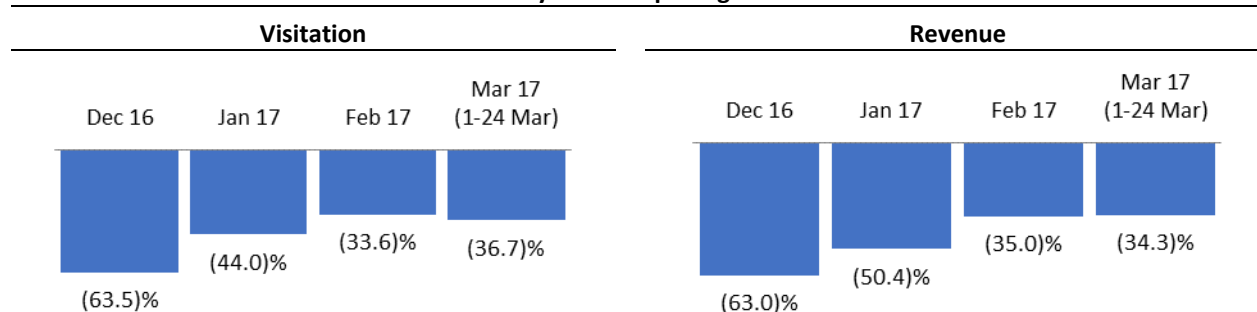
The Group has decided to add 8 Main Event centres in FY18 rather than 11 as previously guided, in order to increase management focus on strategies to improve constant centre growth and refurbishments. The Group expects the pace of new builds will reaccelerate in FY19. The longer-term target of 200 Main Event centres remains unchanged.

### Theme Parks

During the period from 1 to 24 March 2017, Theme Parks recorded unaudited revenues of \$3.1 million, down 34.3% versus pcp.<sup>4</sup>

From 1 to 24 March 2017, the Gold Coast experienced a 159% increase in total rainfall versus pcp, including greater rainfall occurring on weekend days. This unfavourable weather negatively impacted the general recovery trend since the Dreamworld tragedy. The Group believes the overall recovery of Theme Parks remains on track.

#### Theme Parks recovery since reopening on 10 December 2016



The Group has undertaken a number of initiatives in the lead up to the Easter and school holiday trading period, including developing strong retail offers as part of the new brand positioning campaign, "Let your imagination play". The LEGO Certified Store is expected to continue to perform strongly, supported by the release of the new Batman LEGO movie.

<sup>3</sup> Legacy centres are older format Main Event centres that were built prior to March 2009, which have an average age of approximately 13 years.

<sup>4</sup> Given the positive trading impact during the Easter long weekend, which in FY16 occurred from March 25-28, the trading update for March 2017 includes trading for the period from 1 March 2017 to 24 March 2017 to ensure an appropriate "like-for-like" comparison.

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The recent cyclone that impacted the East Coast of Australia resulted in a closure of Dreamworld and SkyPoint for 1 day in late March, however no damage or flooding occurred.

**Bowling and Games**

Bowling and Games has recorded unaudited revenues of \$30.7 million for the period from 1 January to 31 March 2017, down 0.8% versus pcp. Adjusting for the impact of the leap year, revenues were up 1.0%<sup>5</sup>.

Constant centre<sup>6</sup> sales for Q3 FY17 was up 4.9% versus pcp<sup>5</sup>, with strong growth outside of peak school holiday periods. As a result, the division has now achieved 7 consecutive quarters of constant centre sales growth.

Following the completion of its refurbishment, Kingpin Crown has performed well and in line with expectations. Growth in the quarter was offset by the temporary closure of AMF North Strathfield in February for renovation and the closures of 3 AMF centres, as part of the previously announced plan to divest non-core centres<sup>7</sup>.

**Group**

The sale of Marinas remains on track for completion prior to 30 June 2017. Following the sale of the Health Clubs division and agreed sale of Marinas, the Group has now successfully repositioned as a pure entertainment company. The Board and management remain focused on delivering growth and maximising value for shareholders.

Trading updates for Theme Parks will continue to be released through the end of the current financial year.

Yours faithfully

Alan Shedden  
Company Secretary

**Analyst and Institution enquiries please contact:**

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<sup>5</sup> Revenue growth has been adjusted to remove the impact of leap year in FY16, which resulted in an extra Saturday trading day in Q3 FY16.

<sup>6</sup> Bowling and Games constant centres include centres that have been open for at least 24 months at the beginning of the current financial year.

<sup>7</sup> Kingpin Crown was closed mid-July 2016 to December 2016 for refurbishment. AMF North Strathfield (NSW) was closed in February 2017 and re-opened on 4 April 2017 as Kingpin North Strathfield. AMF Golden Grove (SA) closed in May 2016, AMF Dandenong (VIC) closed in September 2016 and AMF Panmure (NZ) closed in February 2017.

## QUESTIONS AND ANSWERS IN RELATION TO Q3 FY17 TRADING UPDATE

**1. What is conscious cannibalisation?**

In order to maintain and grow market share, the Group made a proactive decision to adopt a “cluster” approach and selectively roll-out multiple Main Event centres in a single market over time. This means new centres may be built in an overlapping location to an existing centre, which may have a negative near term impact on attendance levels at the original centre.

**2. What are the benefits of the “cluster” approach?**

The Group believes the long-term benefits of opening multiple Main Event centres in a given market outweigh the costs given the strategy will drive brand awareness, help better insulate Main Event from competitive threats, and will drive increased profitability given the scale benefits in relation to procurement of goods, labour efficiencies, and marketing costs.

**3. Is the Group able to give guidance on future Main Event constant centre growth?**

The Group does not give forward guidance. The Group continues to target low single digit Main Event constant centre revenue growth over the longer term and will continue to implement and explore initiatives to improve growth rates over time.

**4. Does the change in media strategy from radio to television involve a significant increase in marketing expenditure?**

Overall marketing spend in constant centre markets did not materially change as the Group primarily reallocated radio spending to TV.

**5. Why has the Group decided to refurbish 5 additional legacy centres in FY18?**

Legacy centres continue to contribute significant positive earnings to the Main Event business. The Group believes there is a risk over time that under-investment could have a negative impact on the Main Event brand and competitive position in a given market, which could detract from the overall returns generated from new builds. The Group believes that refurbishing these centres is necessary to bring them in line with the current Main Event brand and strengthen their competitive position. Following refurbishment, these legacy centres will revert to a 6-7 year refurbishment cycle, in line with the remainder of the portfolio.

The Group expects the refurbishments to generate returns in excess of Ardent’s weighted average cost of capital and the investment is in the best interest of shareholders in the context of the Group’s broader expansion plans.

**6. What is the cost to refurbish a legacy centre and what is involved?**

The cost to refurbish a legacy centre is approximately US\$2.5m. This cost includes reconfiguring the previous centre layout to be more in line with new builds, improving the mix and quality of games on offer, improving and expanding group/event facilities, adding sports-watching areas, updating the exterior of the centre and improving the overall appearance and customer experience.

**7. Is the investment in legacy centres indicative of what will eventually be required for new centres?**

The Group anticipates that all Main Event centres will eventually require some level of additional investment to refresh them over time, as is typical in the entertainment industry. The Group expects the amount invested per centre to be substantially less than the cost of refurbishing an individual legacy centre as there will be significantly less reconfiguration required at that time.

**8. Why has the Group reduced new builds in FY18?**

The Group believes it is in the best interests of shareholders to reduce the construction of new Main Event centres in FY18 in order to increase management focus on strategies to improve constant centre growth and complete planned refurbishments. The Group expects to reaccelerate new builds in FY19, with the appropriate pace in that year and beyond to be determined based on the ongoing review of the business' performance. The longer-term target of 200 Main Event centres remains unchanged.

**9. Does the Group still believe new builds can generate a first-year EBITDA ROI of at least 30%?**

Yes, the Group remains very comfortable with this target. The Group will continue to review capital allocation and efficiency across the Main Event portfolio to ensure capital is best utilised to maximise growth and long term shareholder value.

**10. How similar is the Main Event portfolio to Dave & Buster's and is it fair to make direct comparisons of constant centre growth between the two companies?**

As of 29 January 2017, Dave & Buster's portfolio comprised 92 centres spread across 33 US states and 1 Canadian Province, with 11 of 92 centres located in Texas, and 66 of 92 centres included in its "constant centre" growth calculations. This compares to Main Event, which currently has 32 centres in 12 US states, with 15 of 32 centres located in Texas, and 19 of 32 stores included in "constant centre" growth.

Given the significant variance in the size, scale, and geographic diversity (including concentration of centres in Texas) of the Dave & Buster's portfolio versus Main Event, the Group believes direct comparisons with Dave & Buster's should be viewed with a degree of caution.

**11. Is the Group able to estimate what revenue and attendance would have been in the Theme Parks division if wet weather from 1-24 March was similar to pcp in 2016?**

The Group is not able to reliably quantify the impact of increased rainfall in the period. Based on historical experience, the Group believes the weather had a significant adverse impact on attendance and revenue. The Group believes the overall recovery of Theme Parks remains on track.

**12. Does the Group expect the recent East Coast cyclone and associated flooding will have an adverse impact on the Theme Parks division in April?**

The impact of the recent cyclone is unknown. The Group has undertaken a number of key initiatives to maximise the potential of the upcoming Easter and school holiday trading period. Over the medium and longer term, the Theme Parks are expected to benefit from investment in new attractions, branded retail concepts, and the 2018 Commonwealth Games.

**13. The Kingpin Crown refurbishment and AMF Strathfield renovation are now complete. What are the expected returns on these investments, and what is the strategy for the remaining portfolio?**

Ardent does not report ROI on refurbishments. Following the completion of the refurbishment, the Kingpin Crown centre is performing well and in line with expectations. The Group will continue to review capital allocation and efficiency across the Bowling and Games portfolio to ensure capital is best utilised to maximise growth and long term shareholder value.