

6 July 2017

ASX Market Announcements  
Australian Stock Exchange Limited  
via ASX Online

## COMMUNICATION SENT TO ARDENT LEISURE GROUP SECURITYHOLDERS

Ariadne Australia Ltd and its associates (“Ariadne”) advise that communication has been sent to the stapled securityholders of Ardent Leisure Group (ASX: AAD) in relation to the upcoming general meeting of the members of Ardent Leisure Limited concerning the removal of directors and the appointment of additional directors. A copy of the materials is attached to this announcement.

Ariadne has also launched a website <http://www.fixardent.com.au/> containing further information relating to the upcoming general meeting and the proposed board candidates.

ENDS

*For further information please contact:*

**Dr Gary Weiss**  
Executive Director  
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July 2017

Dear fellow Ardent security holders

- **HELP FIX ARDENT'S POOR PERFORMANCE**
- **ACT NOW TO RESTORE VALUE BY APPOINTING NEW DIRECTORS WITH THE PROVEN SKILLS TO IMPROVE PERFORMANCE**
- **RECOMMENDATION - VOTE IN FAVOUR OF THE NEW DIRECTORS TO RESTORE THE VALUE OF YOUR INVESTMENT IN ARDENT**

We represent the largest security holder in Ardent Leisure Group ("Ardent"). We and our respective associates together hold approximately 9.86% of Ardent's issued capital.

Many of you will share our disappointment with the poor performance of Ardent over the last few years.

The Ardent Board (which collectively owns less than 0.5% of Ardent's capital) has presided over a significant loss of security holder wealth. The price of Ardent securities has more than halved over the last 3 years - from a high of \$3.49 in October 2014 to as low as \$1.52 a few months ago (equating to a fall in equity value of more than \$900m).



In our view, this huge decline in value reflects significant and persistent shortcomings in financial and operational performance, as well as issues relating to overall corporate governance.

**We therefore believe the current Board requires strengthening, by the appointment of new directors with the proven skills and experience to restore the value of Ardent for all security holders.**

Consider the graph on the previous page. Following our public emergence onto the security holder register of Ardent in March 2017, the Ardent security price rose over 30%<sup>1</sup>. This clearly indicated a positive reaction to our investment in Ardent and our potential involvement in turning around the dismal performance over the last few years. Then, however, following Ardent's full year result update announcement on 23 June 2017, Ardent's security price has fallen over 10%<sup>2</sup>.

What is clear is that the positive impact of our security holding on the price of Ardent's securities has outweighed the negative effect of Ardent's poor trading results released to the market over that time. Despite this implied market endorsement, Ardent has, to date, failed to accept our request for Board representation. We believe the introduction of a new strong proprietorial focus to the Board is an essential requirement in restoring both the value and overall market standing of Ardent.

For this reason we have called a general meeting of security holders, at our own expense, to elect directors to the Ardent Board with proven skills and experience and a successful track record of improving operational and financial performance and building value.

**This meeting gives all Ardent security holders the opportunity to use their vote to elect new directors to the Board to restore value at Ardent and put it on a strong and successful growth path.**

**ACT NOW to have your say by  
VOTING IN FAVOUR**  
of ALL resolutions being put to a vote at the  
general meeting of Ardent Leisure Limited on  
4 September 2017

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<sup>1</sup> Based on \$2.13 price of Ardent securities as at 22 June 2017 and closing security price of \$1.63 on 27 March 2017, the day immediately prior to our public emergence onto the security holder register

<sup>2</sup> Based on \$2.13 price of Ardent securities as at 22 June 2017 and closing security price of \$1.90 as at 27 June 2017

## RECOMMENDATION – VOTE IN FAVOUR OF ALL RESOLUTIONS

In particular, we have identified the following issues which we are committed to addressing with the proposed Board appointments:

- 1 **Poor financial and operational performance** both at group level (blow out in head office costs and recent profit downgrades) and particularly in the execution of the Main Event expansion (EBITDA margin deterioration, a concerning trend of negative constant centres revenue growth over the last 18 months and, consequentially, constant centre revenue performance at Main Event undershooting the stated long term target of low single digit growth)
- 2 **Uncertain strategy relating to the funding of the Main Event rollout** which, based upon Ardent's announced strategy, is likely to see all of Ardent's free cash flow over the next five years (at least) being applied to expansion of the US operations, putting at risk not only potential further investment in Ardent's other operating businesses, but also the payment of distributions over that period. We note that **distributions have already been cut from 12.5c in FY16 to 3c in FY17** (as announced on 23 June 2017)
- 3 **Lack of clarity on strategy** for Ardent and for individual assets. The Board has previously emphasised a commitment to Main Event as the strategic focus of the group. Recent poor financial and operational performance in Main Event has brought the continued validity of this strategy into focus. Changes in leadership, conflicting statements on whether/which assets are for sale and the appointment of further consultants has led to confusion and consequent loss of market standing
- 4 **Ability to continue investing in Australia** particularly in relation to Ardent's iconic Australian Theme Parks. It is imperative that, in addition to funding the expansion of Main Event, Ardent retains the financial ability and strength to be able to invest in its Australian businesses to capitalise on opportunities arising from the increase in inbound Australian tourism
- 5 **Overall corporate governance** particularly in relation to senior management changes which, coupled with Ardent's poor operating and financial performance, have impacted on the market standing of Ardent over the last few years

**We believe that the proposed changes to Ardent's Board are essential to bring not only a strong level of ownership representation at Board level, but also additional critical skills and experience essential to help improve overall performance and increase security holders' wealth.**

**FIX ARDENT BY VOTING IN FAVOUR OF ALL RESOLUTIONS**

## PROPOSED NEW BOARD APPOINTMENTS TO RESTORE VALUE

The Ardent Board has made some recent announcements in a belated effort to attempt to redress some of the obvious issues which have led to the significant decline in value and loss of market standing over the last few years.

We particularly note the recent recognition that the Board does not have the appropriate skills and experience in the US to oversee Ardent's largest business, Main Event (representing over 70% of Group EBITDA). That deficiency was only acknowledged in April 2017 despite the Main Event business reporting 18 months of constant centre revenue declines and absorbing the vast majority of development capex spend in the Group.

**We – like many of you – are wholly unconvinced by the Board's recent efforts.**

**We do not believe that a Board which has presided over such a significant loss of value over the last few years can miraculously turn themselves into wealth creators and now belatedly deliver improved returns to security holders.**

**If they were capable of doing so, why have they waited so long to act?**

It is now time for a new focus at Ardent, with ownership involvement at Board level, to generate superior results and value for all Ardent investors.

As to the proposed Board nominees, we constitute two of the proposed directors. Representing the largest security holder interests in Ardent, we are completely aligned with the interests of all Ardent investors and have wide and proven credentials and experience.

In terms of our credentials:

- Dr. Gary Weiss has extensive international business experience beneficial for improving and growing Ardent's overall operations and has a proven track record in turning around underperforming businesses. He also has deep experience in corporate governance through substantial board involvements over many years, including in highly-regulated sectors such as life insurance/wealth management and aged care
- Kevin Seymour AM has extensive investment and property experience, particularly beneficial for reinvigorating Ardent's Theme Park operations and professionally assessing development opportunities for Ardent's various property interests

The other two proposed independent directors, Carl Bradford (Brad) Richmond and Andrew (Andy) Hedges, also have broad and exemplary credentials and experience. Specifically:

- Brad Richmond, based in the US, is a highly regarded senior executive with proven operational and financial skills in the full-service restaurant sector in the US. Of particular note, Brad took a leading role in the turnaround of US group Darden Restaurants (a multi-brand operator of casual dining restaurants) during which its share price grew more than 37% creating approximately US\$2.2 billion in shareholder value. Brad's skills and experience will be particularly beneficial for improving the operational and financial performance of Main Event and in the roll out of further Main Event centres

- Andy Hedges has held senior roles at Scentre Group including Director Shopping Centre Management and Director Shopping Centre Management & Marketing. Andy's achievements include growing a diverse portfolio of income (casual retail, mall media, car parking, embedded electricity networks and storeroom leasing) by 230% over 8 years to over \$200 million net operating income, creating an incremental \$2 billion of value for the business. Andy's skills and experience will be particularly beneficial for driving value in Theme Parks and Bowling centres, as well as reviewing the potential for the location of Main Event centres in major shopping malls

**Importantly, Brad Richmond and Andy Hedges, if appointed, will be considered independent according to ASX guidelines, with no connection to the nominating security holders.**

We have nominated them as proposed Directors as we believe they have the requisite abilities and experience to materially enhance the skills set of the Board and to enhance value for all Ardent security holders.

Additionally, the appointment of Brad Richmond to the Ardent Board responds immediately to Ardent's recently-announced search process for a US-based Director, which avoids the costs involved in retaining executive recruitment and remuneration consultants as part of that process.

Further information on each of the four candidates can be found in the Notice of General Meeting and Explanatory Statement and on our website [www.fixardent.com.au](http://www.fixardent.com.au).

## CONTINUED INDEPENDENCE OF ARDENT

There is one further matter which we wish to address.

Some parties have sought to portray our move to strengthen the Ardent Board by appointing additional experienced and proven directors as an attempt to somehow "gain control" of Ardent without paying a premium.

Such a view is entirely misconceived and incorrect.

**First**, we speak for around 10% of Ardent's issued capital. The other 90% is owned by the other 13,500 Ardent investors who make up the balance of the security holder register. The benefits of improved value at Ardent will belong to ALL Ardent investors and we will participate proportionately in that value creation alongside you. In that respect, as the largest security holder group (9.86%), we have a very substantial financial alignment with existing security holders, by comparison with the current Board, which collectively owns less than 0.5% of Ardent's capital.

**Secondly**, we would comprise only two out of ten directors should all proposed directors be elected. The other directors (excluding the Managing Director) will be independent, resulting in an overwhelming majority of independent directors at Board level.

**Thirdly**, we seek no benefits or advantages to ourselves, or the companies we represent, as directors of Ardent. We have no interest or intention to be involved in any joint venture of any kind with Ardent, nor in any related-party involvement with Ardent or any of its associates.

**Moreover, in recognition of both our commitment to restoring value at Ardent and the loss of wealth which many Ardent security holders have already experienced over the last few years, we propose to accept no payment by way of director's fees for at least 12 months following our appointment to the Board, so as to minimise overall expenses at Ardent.**

**Why?** Because we strongly believe in the future prospects of Ardent. Because under a well-structured and strengthened Board we can help restore security holder value. Because we can position Ardent for future growth.

With your help we can set in place the right governance regime to drive value for ALL Ardent security holders.

## FIX ARDENT BY VOTING IN FAVOUR OF ALL RESOLUTIONS

### THIS IS THE TIME FOR ALL SECURITY HOLDERS TO DEMAND CHANGE TO FIX ARDENT

The General Meeting will take place at **10:00 am** on **4 September 2017** at the **Radisson Blu Hotel in Sydney**.

If you want Ardent to succeed - if you want value to be delivered to ALL Ardent security holders - we strongly urge you **VOTE IN FAVOUR OF ALL resolutions (1 to 5)**.

If you cannot attend the meeting in person, we urge you to **VOTE IN FAVOUR of ALL resolutions** by completing and returning your proxy form.

For your convenience, please find enclosed with this letter a pre-completed blue proxy form for the upcoming general meeting. The form appoints Dr. Gary Weiss as your proxy for the meeting and has been pre-completed on the basis that you are directing him to **VOTE IN FAVOUR** of each of the resolutions to be put to the meeting.

By signing the blue proxy form, you will be voting for the removal of any directors appointed to fill a casual vacancy on the Ardent Board, or as an addition to the existing number of directors from the Board and for the appointment of Dr. Gary Weiss and Kevin Seymour AM, and independent candidates Brad Richmond and Andy Hedges, as non-executive directors on the Board.

By signing the proxy form and returning it by fax or by mail in the enclosed reply-paid envelope, you can help to bring about the change required to improve the performance of the Board for the benefit of the Ardent and its security holders.

Proxy forms should be lodged either with Boardroom Pty Limited by no later than 10.00am (Sydney time) on Friday 1 September 2017, or directly with Ardent by no later than 10.00am (Sydney time) on Saturday 2 September 2017.

If you have any questions or want more information about the meeting and how to vote, please call our information helpline on 1300 857 709 or +61 2 8022 7948 or visit the website [www.fixardent.com.au](http://www.fixardent.com.au).

We thank you for your support.

Yours sincerely,

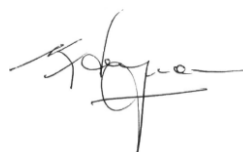
**Portfolio Services Pty Ltd**



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Dr. Gary H. Weiss  
Director

**Kayaal Pty Ltd**



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Mr. Kevin Seymour AM  
Director

# FIX ARDENT

- HELP FIX ARDENT'S POOR PERFORMANCE
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- RECOMMENDATION - VOTE IN FAVOUR OF THE NEW DIRECTORS TO RESTORE THE VALUE OF YOUR INVESTMENT IN ARDENT

[WWW.FIXARDENT.COM.AU](http://WWW.FIXARDENT.COM.AU)



## ARDENT – A POOR PERFORMER

In both absolute and comparative terms, the performance of Ardent Leisure Group (“Ardent”) over the last three years has been very disappointing.

Since hitting a peak of \$3.49<sup>3</sup> in October 2014, Ardent has seen a progressive decline in the price of its securities, having recently traded as low as \$1.5125<sup>4</sup> in March 2017 – back to levels last seen in early 2013. Ardent’s security price has since increased, following the disclosure of our significant security holding in Ardent, before retreating again following the release of the full year result update on 23 June 2017.

Despite the recent increase, Ardent’s securities have fallen 30%<sup>5</sup> over the last 3 years versus 5%<sup>5</sup> growth in the broader S&P / ASX 200 Index over the same period.

The Ardent security price graph below tells the story:



While we recognise that the more recent decline in Ardent’s security price is partially attributable to the tragic event that occurred at Dreamworld in October 2016, it is clear to us that the pattern of decline in Ardent’s market value over the last few years primarily reflects not only deterioration in the financial and operational performance of the Group over a prolonged period, but also governance issues which have impacted on Ardent’s overall market standing.

These issues create deep concern for Ardent’s future direction and the current Board’s ability to oversee long-term security holder wealth creation.

<sup>3</sup> Intraday peak on 27 October 2014.

<sup>4</sup> Intraday low on 1 March 2017.

<sup>5</sup> Source: IRESS as at 27 June 2017.

## RECOMMENDATION – VOTE IN FAVOUR OF ALL RESOLUTIONS

We represent the largest security holder group in Ardent, holding approximately 9.86% of Ardent's issued capital.

Many of you will have been disappointed with the poor performance of Ardent over the last few years and the reduction in value of your investment in Ardent.

We have identified the following issues which we are committed to addressing with the proposed Board appointments:

- 1 **Poor financial and operational performance** both at group level (blow out in head office costs and recent profit downgrades) and particularly in the execution of the Main Event expansion (EBITDA margin deterioration, a concerning trend of negative constant centres revenue growth over the last 18 months and, consequentially, constant centre revenue performance at Main Event undershooting the stated long-term target of low single digit growth)
- 2 **Uncertain strategy relating to the funding of the Main Event rollout** which, based upon Ardent's announced strategy, is likely to see all of Ardent's free cash flow over the next five years (at least) being applied to expansion of the US operations, putting at risk not only potential further investment in Ardent's other operating businesses, but also the payment of distributions over that period. We note that **distributions have already been cut from 12.5c in FY16 to 3c in FY17** (as announced on 23 June 2017)
- 3 **Lack of clarity on strategy** for Ardent and for individual assets. The Board has previously emphasised a commitment to Main Event as the strategic focus of the group. Recent poor financial and operational performance in Main Event has brought the continued execution of this strategy into focus. Changes in leadership, conflicting statements on whether/which assets are for sale and the appointment of further consultants has led to confusion and consequent loss of market standing
- 4 **Ability to continue investing in Australia** particularly in relation to Ardent's iconic Australian Theme Parks. It is imperative that, in addition to funding the expansion of Main Event, Ardent retains the financial ability and strength to be able to invest in its Australian businesses to capitalise on opportunities arising from the increase in inbound Australian tourism
- 5 **Overall corporate governance** particularly in relation to senior management changes which, coupled with Ardent's poor operating and financial performance, have impacted on the market standing of Ardent over the last few years

The Main Event rollout strategy has become progressively more aggressive and presents significant execution risks to security holders.

In particular, we note the following in regards to Main Event:

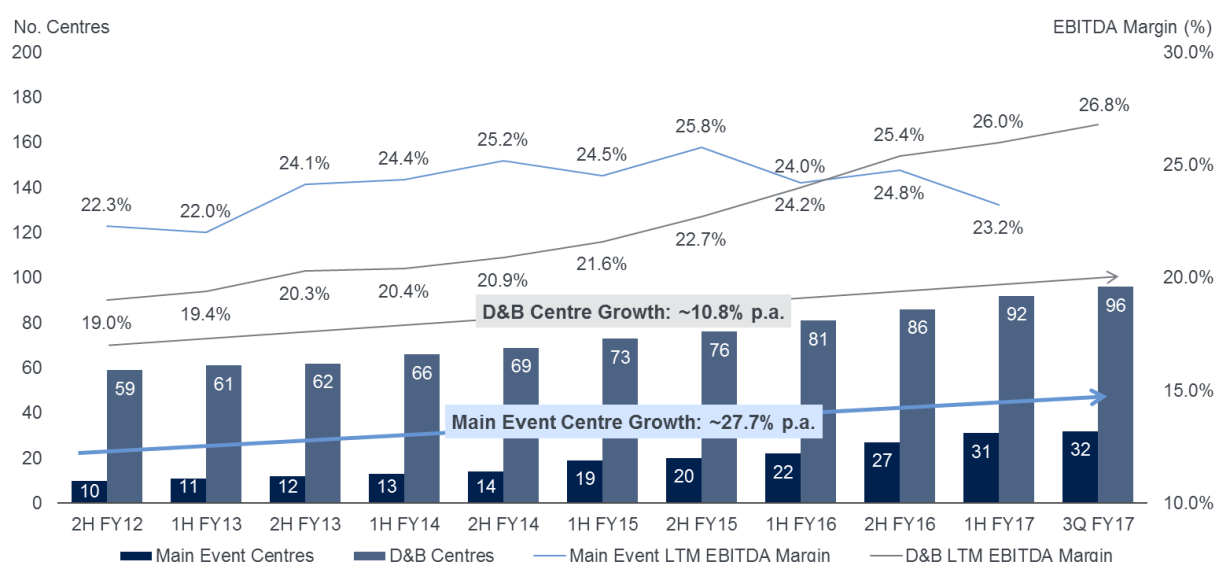
- Negative constant centre revenue growth over the last 18 months
- Deterioration in overall trailing 12 month EBITDA margin from 25.8% as at 30 June 2015 to 23.2% as at 31 December 2016. Based on expected Main Event FY2017 EBITDA of US\$44-45 million as disclosed in the full year result update announcement on 23 June 2017, we estimate the trailing 12 month EBITDA margin for Main Event to decline further to c.20%<sup>6</sup> as at 30 June 2017

We compare these metrics to the performance of the industry leader Dave & Busters (NASDAQ:PLAY) ("D&B") which has grown centres at a more conservative rate of c.10% per annum, compared to Main Event's c.30% per annum expansion:

- D&B has consistently grown constant centre revenues over the prior 18 months. Most recently D&B reported constant centre revenue growth of 2.2% for the 3 month period ending 30 April 2017, driven in part by a rebound in its Texas centres. By comparison, in the 3 month period ending 31 March 2017, Main Event's constant centre revenues declined 2.5% notwithstanding Main Event has 16 of its 32 centres (as at 31 March 2017) in Texas
- D&B has consistently grown LTM EBITDA margins over the past 5 years and generated an LTM EBITDA margin of 26.8% for the 12 months ending 30 April 2017

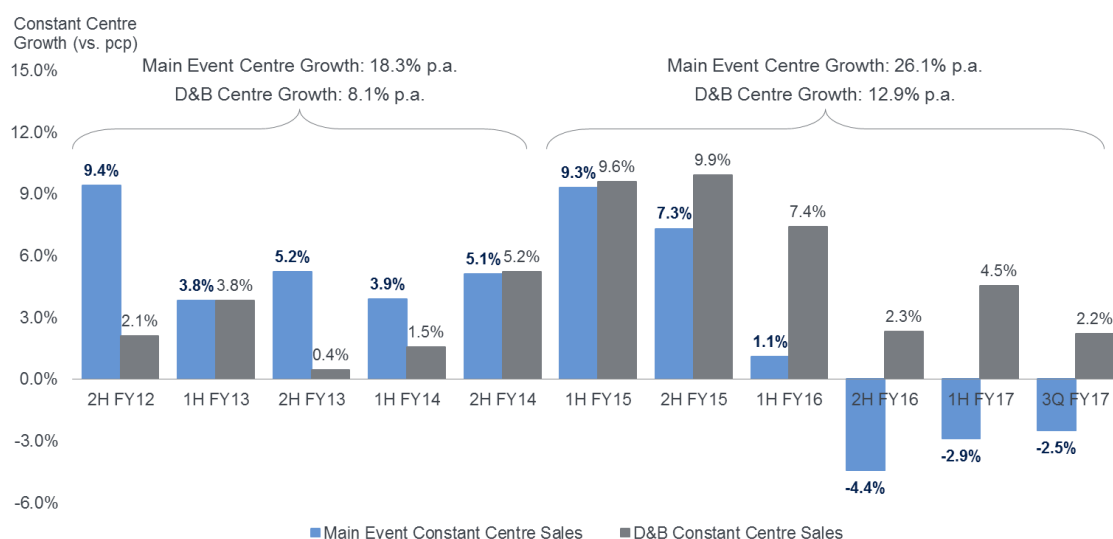
Based on these reported results, it is clear that the accelerated rate of expansion of Main Event has come at the expense of critical operational and financial performance reflected by deterioration in EBITDA margin and constant centres revenue growth, both of which now significantly lag those of D&B.

## Main Event's Increased Rollout vs. D&B's Steady Success



<sup>6</sup> Based on 1H FY17 Main Event Revenue of US\$102.1m as disclosed in the Ardent Leisure Group Half-Year 2017 Results Presentation, released on 23 February 2017, Main Event unaudited revenues of US\$61.5m for the period 1 January 2017 to 31 March 2017 as disclosed in the Ardent Leisure Group Q3 FY17 Trading Update released on 10 April 2017 and Main Event expected 4Q revenues of ~US\$60m as disclosed in the full year result update released on 23 June 2017.

## Main Event's Constant Centre Performance Has Deteriorated as Pace of Rollout Has Increased



Source: Company filings

Note: Financial year based on Ardent reported financial year (i.e 30 June year end). D&B reports on a 31 January year end – D&B 1H period represents six months period from 31 January to 31 July. D&B 2H represents period starting 31 July and ending 1 January the following year. Constant centre sales for each half at D&B have been interpolated from quarterly results based on the geometric average. Constant centre sales for 2H in Main Event interpolated based on geometric average of annual growth and 1 H growth

Where a company's growth ambitions are aggressive, careful management and operational discipline, plus appropriate levels of investment in systems and people resources, are required to ensure that existing portfolio performance is not eroded by the challenges of expansion and the establishment of new operations.

D&B has successfully achieved this vital balance over the last few years. Main Event has not. Its performance over recent periods suggests to us that management lack the necessary resources to be able to “walk and chew gum at the same time” – that is, to successfully execute on all fronts.

### 1.1 MAIN EVENT'S VALUE OPPORTUNITY

We believe there is a material value opportunity of at least A\$15 million per annum in additional EBITDA to be achieved at Main Event over the medium term (in addition to the financial benefits that should flow from a structured and disciplined further expansion of Main Event centres).

The table below illustrates the potential for improvement in Main Event's performance when compared to that of D&B.

	Main Event	D&B
Average Revenue per Centre <sup>7</sup>	US\$7.5m	US\$12.0m
Constant Centre Revenue Growth <sup>8</sup>	(2.5%)	2.2%
LTM EBITDA Margin <sup>9</sup>	~20.0%	26.8%
LTM Return on Capital <sup>10</sup>	11.6% (as at 1H FY17) Expected to decline for FY17 <sup>11</sup>	18.2%
Return Targets	>30% Year 1 ROI	>35% Cash on Cash Returns in Yr 1 >25% 5 Yr Avg Cash on Cash Return

<sup>7</sup> Based on constant centres only. Main Event is for the year ending 30 June 2016, D&B for year ending 31 January 2017.

<sup>8</sup> Constant centre revenue growth for the most recent reported period. For Main Event this is the 3 Month period to 31 March 2017. For D&B this is for the 3 month period ended 30 April 2017.

<sup>9</sup> LTM EBITDA Margin as at 30 June 2017, based on figures detailed in footnote 6, for Main Event and 30 April 2017 for D&B.

<sup>10</sup> LTM Return on Capital calculated as LTM EBIT / Average total assets for the period.

<sup>11</sup> Based on estimated FY17 EBITDA of US\$44-45m per full year result update on 23 June 2017 compared to LTM EBITDA of US\$46.6m as at 31 December 2016.

External analysis that we have commissioned suggests potential to achieve this additional EBITDA from areas such as:

- Day part utilisation to attract more customers and increase revenue;
- Optimisation of labour scheduling and per patron ratio;
- Expand and enhance arcade offering by repurposing underperforming square footage for additional arcade games;
- Compete and Win at the Bar, by updating bar package to capture fair share of bar sales; and
- Compete and Win at Food, by emphasising competitively-priced, high quality food offers to drive traffic for high margin amusement activities.

**This unlocked value in the Main Event portfolio represents a substantial opportunity for security holders.**

## 1.2 CORPORATE COST BLOW OUT

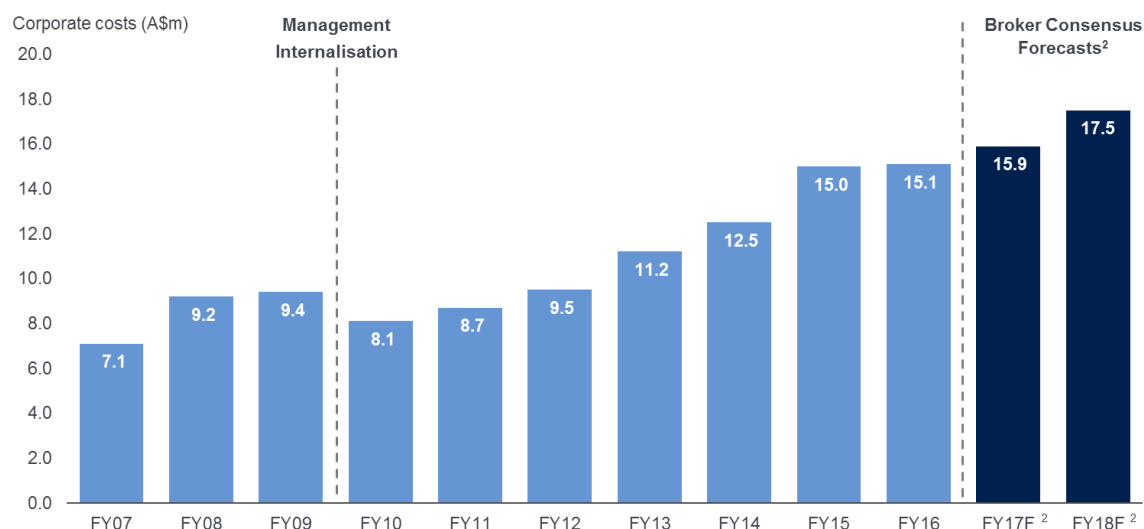
In addition to the operational performance issues at Main Event, we have further concerns regarding the corporate and management costs of Ardent. Since internalisation of management in FY09, corporate costs have expanded 80% from \$8.1m to \$15.1m in FY16.

There is now a market anticipation of further increases in corporate costs through to FY18, despite Ardent's reduced scale and operational complexity following the sale of Health Clubs and the prospective completion of the Marinas sale. There is no tangible evidence in the form of improved operations or security price that there is value being added for these corporate costs.

We would note that in the year ended June 2017 it is likely that all of the EBITDA generated by the Australian Bowling and Theme Park divisions will be expended on corporate costs.

In our view, the disposal of Health Clubs and Marinas should lead to a reduction, not growth, in corporate costs. We would expect that a bottom up review of the true costs required to manage the ongoing requirements for Ardent's remaining businesses would result in a dramatically lower number. Such a review and cost reduction would add immediate value for security holders given the ongoing drag of corporate costs on valuation.

### Corporate Costs have Increased 80% Since Internalisation of the Management Structure



Source: Company filings and consensus broker reports

Note:

1. Based on normalised corporate costs as disclosed in Ardent's financial results presentations

2. Note FY17F - FY19F is average of brokers which disclose breakdowns for their EBITDA forecast following the Ardent full year result update released on 23 June 2017, namely Credit Suisse (26-Jun-17), Baillieu Holst (23-Jun-17), Morgans (27-Jun-17) and Citi (26-Jun-17)

To date, the capital outlay for Main Event amounts to \$495 million<sup>12</sup>.

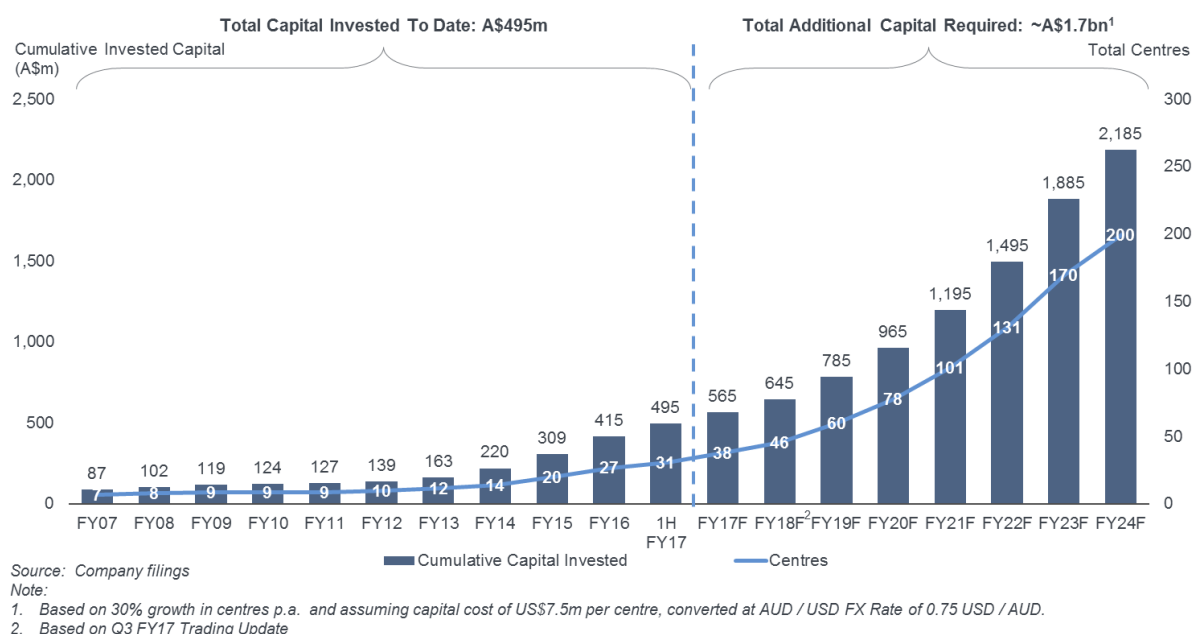
To achieve the Board's potential goal of establishing 200 Main Event centres we estimate that this will require, at a minimum, another \$1.7 billion<sup>13</sup> over the next seven years (when applying the low end of the stated 30% year-on-year growth target and an investment of US\$7.5 million<sup>14</sup> per site).

For context, this capital outlay is nearly twice<sup>15</sup> the size of Ardent's current market capitalisation.

If the Board's announced strategy is to be pursued this will inevitably require the incurring of significant debt obligations as well as likely requiring material additional security holder contributions to fund this growth.

This would also put at risk not only potential future necessary investment in Ardent's remaining Australian businesses, but also the payment of distributions over that period.

### Significant Capital Investment Required in Main Event



We also note that funding the growth of Main Event through the current structure will result in a substantial increase in US tax paid on Main Event earnings which, under current legislation, will provide no franking credits or other tax paid credits for Australian security holders.

<sup>12</sup> As at 1H FY17, includes acquisition cost of Main Event.

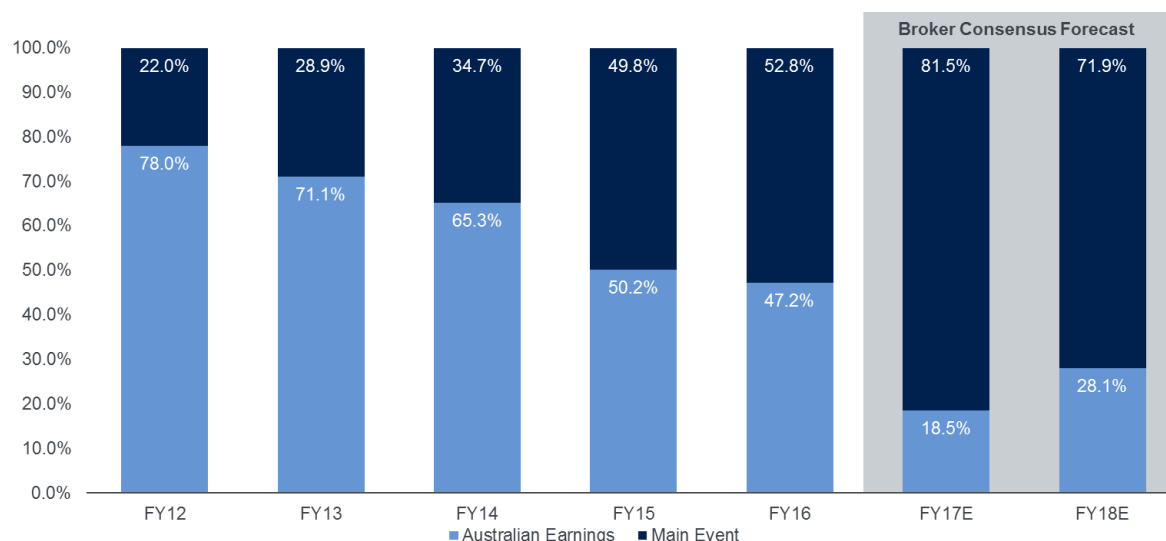
<sup>13</sup> Assumes AUD / USD Exchange Rate of 1 AUD = 0.75 USD.

<sup>14</sup> Upper end of Ardent disclosed centre costs (US\$7-7.5m). D&B estimates US\$8.8m development for large stores.

<sup>15</sup> Based on current market capitalisation of c.\$893m as at 27 June 2017. Based on 469,153,284 securities outstanding, 799,334 rights and security price of \$1.90 per security.

US earnings are expected to comprise more than 70%<sup>16</sup> of Ardent's earnings in FY2018, and we anticipate the franked portion of distributions would be minimal as a result. This is highlighted in the following graph.

## Australia's Contribution to Ardent's Earnings is Forecast to be Less Than 30% in FY2018E



As the roll-out towards 200 centres is completed, the portion of earnings in Australia with potential to generate franked distributions will decline further.

Investment in a further substantial rollout of Main Event carries significant opportunity costs with regard to: funding (equity / debt raising); a reduction in distributions; constraints on the ability to reinvest in Australia; and a greater skew to less tax-advantaged US earnings. If security holders are to accept these opportunity costs it is vital that the logic and execution of the rollout is sound and that the likely return on invested capital is superior to alternative uses of funds (reinvestment in Ardent's Australian businesses, distributions, security buybacks). It is therefore critical to have the right skills set and experience, plus proprietorial involvement, at Board level when significant decisions regarding capital allocation are made. The proposed changes to Ardent's Board will ensure that this occurs.

### 3 LACK OF CLARITY ON STRATEGY

The Board has previously emphasised a commitment to Main Event as the strategic focus of the group, evidenced by the intention to change the name of Ardent to Main Event Entertainment Group.

Recent poor financial and operational performance in Main Event, as detailed above, has brought the continued validity of this strategy into focus.

**We strongly believe that a review of this strategy, with proprietorial involvement at Board level, is essential.**

Adding to uncertainty regarding the strategic focus of the group, there have been multiple changes in senior management at Ardent leading to uncertainty as to Ardent's long term intention for its remaining businesses. This has been brought into particular focus as a result of more recent conflicting statements on whether / which of Ardent's assets are, or may be for sale, specifically:

<sup>16</sup> Based on broker consensus divisional forecasts for FY19E.



- Following Ardent's announcement that it had initiated a process to review its 2015 Master Plan for the Dreamworld precinct on 24 May 2017, Ardent's Chief Executive of Theme Parks reportedly wrote a memo to staff, which noted "no, we are not for sale...you will be the first to know if that changes"

*"Dreamworld boss Craig Davidson has laid out his vision for the future of the theme park in a leaked internal staff email. **Mr Davidson said the iconic Gold Coast theme park was 'not for sale' in the wake of parent company Ardent Leisure today announcing it was reviewing its master plan for the 60ha Coomera site, which could unlock its real estate value.**"<sup>17</sup>*

- This was reaffirmed by Ms. Deborah Thomas on 25 May 2017:

*"**'We aren't selling or closing Dreamworld'** [Ms. Thomas] said... 'We are considering opportunities external but complementary to the park that could include retail, hospitality, accommodation and entertainment precincts, similar to Universal Studios and Disneyland in the US.'"<sup>18</sup>*

- That same day, Mr. Simon Kelly was quoted apparently contradicting this position and indicating that any of Ardent's assets could be for sale at the right price:

*"In his first interview since his appointment to the troubled entertainment group, **Kelly left the door open for a sale or re-development of its troubled flagship, the Dreamworld theme park on the Gold Coast, adding that everything is for sale at the right price... 'There are no sacred cows as far as I am concerned.'**"<sup>19</sup>*

The appointment of further external consultants to help develop Ardent's strategy, such as L.E.K. to undertake a review of Main Event's business and strategy, has led to confusion and consequently a loss of market standing.

## 4

## ABILITY TO CONTINUE INVESTING IN AUSTRALIA

Against a backdrop of Main Event expansion and the substantial potential funding requirements detailed above, the clear challenge for Ardent is to ensure that it retains the financial strength and ability to make appropriate investments in its remaining Australian businesses to deliver returns to security holders.

In particular, Ardent's iconic Australian Theme Parks have significant exposure to strong inbound tourism trends:

- Australian inbound tourism is estimated to have increased by 7.2%<sup>20</sup> per annum over the last 5 years and largely as a result of inbound Chinese tourism.
- The Gold Coast has been a major beneficiary of this inbound tourism - since FY2009, total annual tourists to the Gold Coast have increased by 15.8%<sup>21</sup>.
- Over the next decade, tourism expenditure is forecast to grow by 116%<sup>22</sup> and Chinese tourism is forecast to grow by ~12% p.a.<sup>22</sup>.

<sup>17</sup> Source: Gold Coast Bulletin, 24 May 2017.

<sup>18</sup> Source: Gold Coast Bulletin, 25 May 2017.

<sup>19</sup> Source: The Australian, 25 May 2017.

<sup>20</sup> Based on total inbound visitor arrivals for FY17 per Research Australia. Tourism Forecasts 2016.

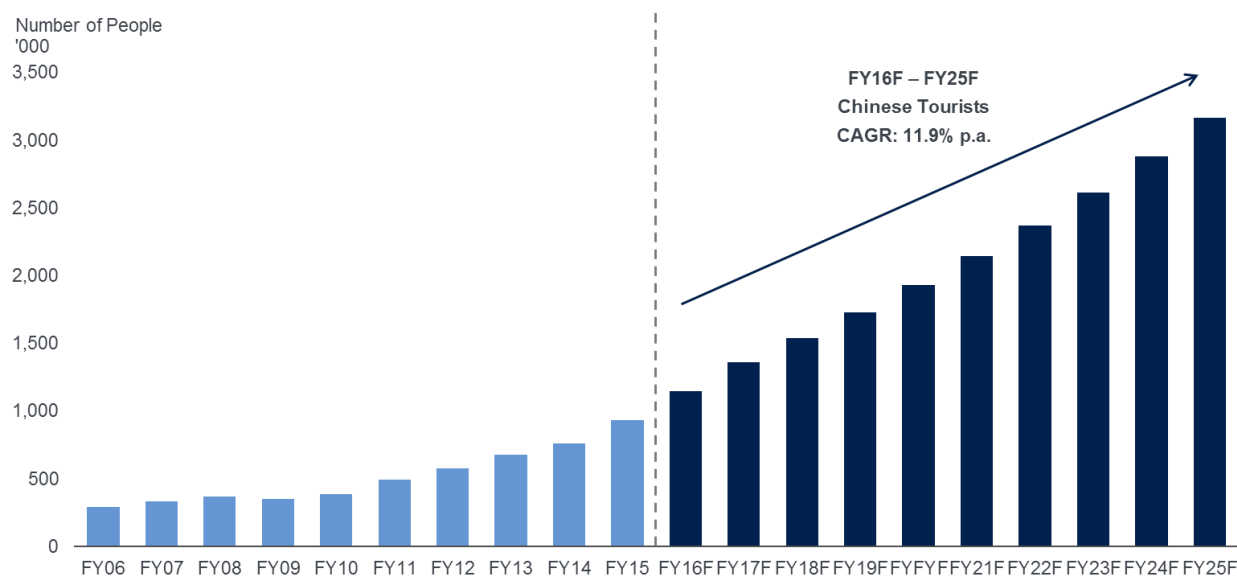
<sup>21</sup> Tourism Research Australia Statistics for FY16, includes domestic and international travellers.

<sup>22</sup> Austrade – Tourism Research Australia. Tourism Forecasts 2016.



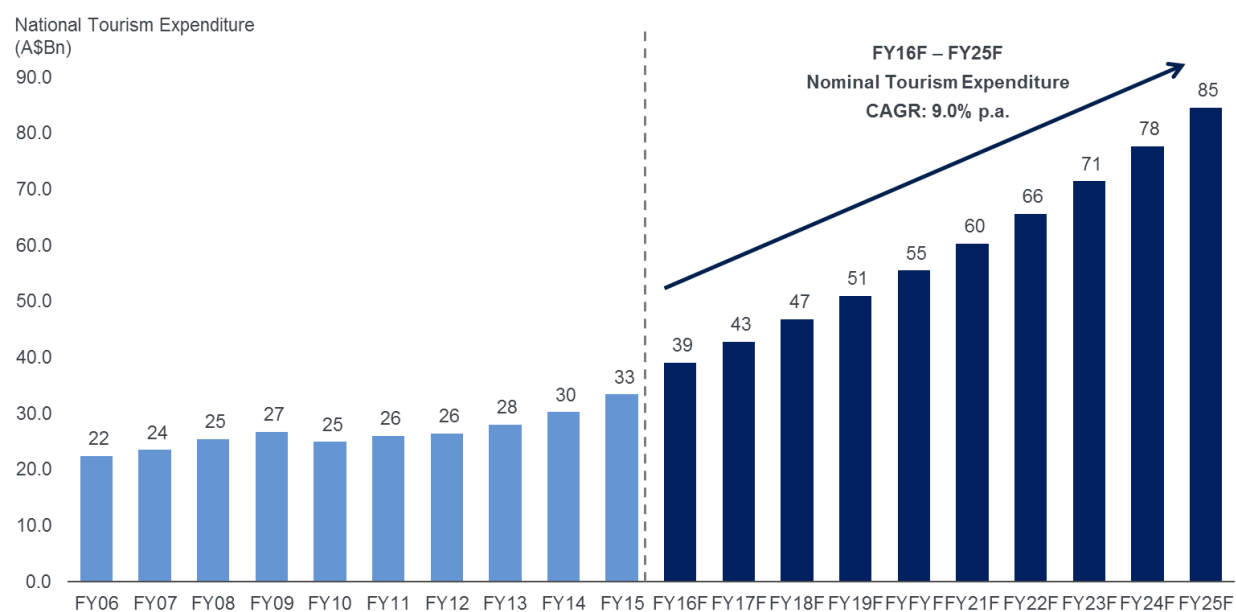
These trends are highlighted in the following graphs:

## Chinese Tourism is Forecast to Grow at ~12% p.a. Over the Next Decade



Source: Austrade Tourism Forecasts 2016

## Inbound Tourism Expenditure is Set to More Than Double Over the Next Decade



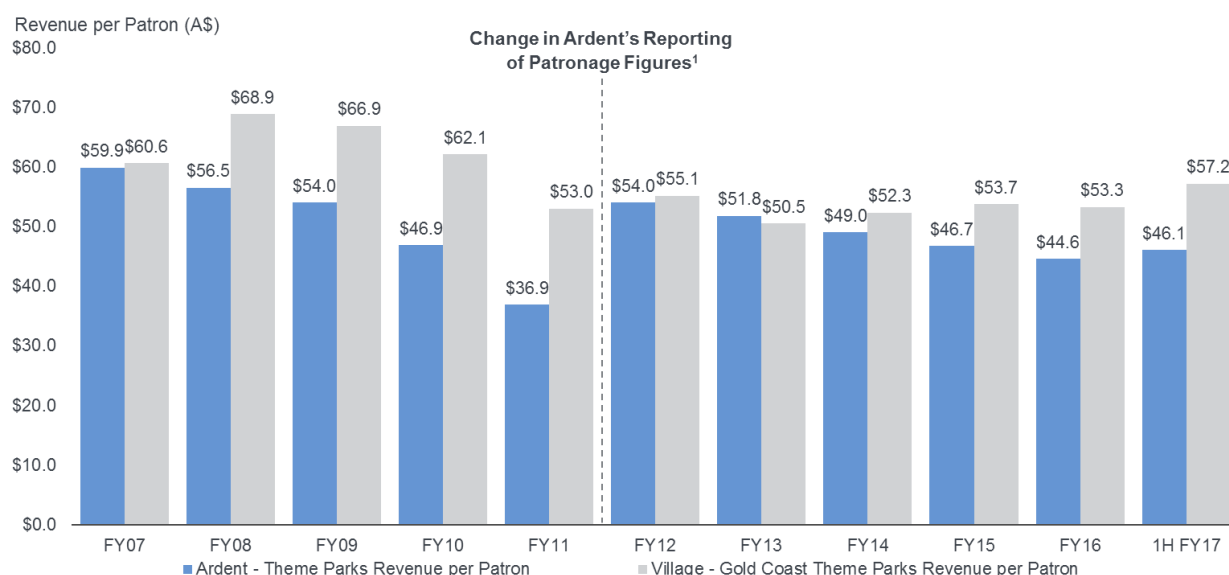
Source: Austrade Tourism Forecasts 2016

If Ardent is to be able to capitalise on the significant opportunities flowing from this growth in inbound tourism, sustained new investment will be required.

This issue is particularly highlighted by our analysis that indicates development capex in Theme Parks over the last ten years amounts to less than 10%<sup>23</sup> of the A\$368 million development capex that has been invested in Main Event over this period.

It is further noted that Ardent's Theme Parks underperform its local key competitor, Village Roadshow, representing an additional substantial opportunity to create further value for security holders.

## Ardent's Theme Park Performance Has Underperformed Village on a Revenue per Patron Basis



Source: Company filings

Note:

1. Per patron figures prior to FY12 are not comparable due to changes in Ardent's reporting of patronage figures. Prior to FY12, each World Pass sale was accounted for as entry of 2 patrons. From FY12 onwards, World Pass sales have been treated as one entry

**Having regard to the substantial quantum of investment capital required by the rollout of Main Event centres, we are concerned with Ardent's capability to retain the financial flexibility to continue investing in its remaining Australian assets in order to leverage the significant opportunity presented by the substantial increase in tourism in its key markets.**

## 5 OVERALL CORPORATE GOVERNANCE

Coupled with Ardent's poor operating and financial performance, overall corporate governance has further served to impact the market standing of Ardent over the last few years.

Our principal concerns include:

- **Multiple Changes in Senior Management** – There have been multiple changes in senior management at Ardent including:
  - The abrupt and unexpected departure of long-standing and highly regarded CEO and Managing Director of Ardent, Mr. Greg Shaw, announced in March 2015, to be replaced by an existing Board member, Ms. Deborah Thomas;
  - The announcement on 26 April 2017 of the replacement of Ms. Thomas as CEO, after barely 2 years in that role, with Mr. Simon Kelly (who, like his predecessor, has not previously been the CEO of an ASX-listed entity);

<sup>23</sup> Development capex of \$35.5m in Theme Parks compared to \$367.6m in Main Event. Based on 10 years to 31 December 2016.

- The further decision by the Board of Ardent to appoint Ms. Thomas as Chief Customer Officer and Chief Operating Officer (Australasia) on 26 April 2017 and to remain as a Director after stepping down as CEO;
- The decision by the Board of Ardent to accelerate Mr. Kelly's commencement from 1 July 2017 to 9 June 2017;
- The decision by the Board of Ardent on 9 June 2017 to cease Ms. Thomas' position as Chief Executive Officer and Managing Director earlier than announced (triggering the payment of a termination benefit of \$731,291), and also for Ms. Thomas to step down from the Board with effect from 1 July 2017, but remaining as a consultant on \$3,000 per day;
- The announcement on 26 April 2017 of the resignation of long-serving CFO, Mr. Richard Johnson, with an expected retirement date of 15 July 2017; and
- The decision by the Board of Ardent on 30 June 2017 to appoint Mr. Geoff Richardson as Interim CFO effective 3 July 2017, while the search for a permanent CFO remains to be completed.

These changes – particularly the departure of Mr. Shaw – have clearly unsettled investors and led to a loss of market standing.

- **Additional Board Skills Required** – Notwithstanding that Main Event has been owned since 2006 and the growing importance of that business to Ardent, we note the recent recognition that the Board does not have the appropriate skills and experience in the US to oversee Main Event. That deficiency was only belatedly acknowledged in April 2017, following our emergence as a significant security holder in Ardent, despite the Main Event business reporting 18 months of constant centre revenue declines and absorbing the vast majority of development capex spend in Ardent. Prior to this time, the Ardent Board had publicly noted the current mix of Director skills and experience was suitable<sup>24</sup>.
- **Executive Remuneration Practices** – Mr. Kelly has been appointed as CEO on a salary package estimated to be **at least 50% higher** than that paid to Ms. Thomas, despite the current shrunk market capitalisation of Ardent and, following the disposal of the Health Clubs and Marinas divisions, the significantly reduced size and complexity of Ardent's businesses moving forward. In addition, it should be noted that Mr. Kelly's higher salary package stands in contrast to recent packages provided to incoming CEOs of ASX 200 companies – over the past 18 months incoming CEOs, for companies in the ASX 200, have received a salary package, on average, 25% less than the prior CEO<sup>25</sup>.

Furthermore, notwithstanding the significant opposition by security holders to the issue of performance rights to Ms. Thomas under the long-term incentive plan at Ardent's 2016 Annual General Meeting<sup>26</sup>, the Board has granted rights over Ardent securities with no prerequisite performance conditions to Mr. Kelly, valued at \$1.5 million, and with the entitlement to receive distributions on that equity grant until fully vested. This performance-free equity grant is not subject to security holder approval, and does not fall within the Australian Council of Superannuation Investors Corporate Governance Guidelines<sup>27</sup>.

We believe Ardent would benefit from the proposed Board nominees which would improve the overall corporate governance of Ardent and provide additional critical skills and experience to the Board essential to help improve performance and increase security holders' wealth.

<sup>24</sup> Ardent's 2016 Corporate Governance Statement (dated 30 June 2016).

<sup>25</sup> Based on research by Egan Associates as reported in the Australian Financial Review, 3 July 2017.

<sup>26</sup> Over 40% of votes cast were against the issue of performance rights to Ms. Deborah Thomas under the long term incentive plan at Ardent's 2016 General Meeting.

<sup>27</sup> ACSI Governance Guidelines, October 2015, page 19 "Any use of equity in senior executive and / or director remuneration should only occur with prior approval from shareholders. This includes shares purchased on-market for the remuneration of directors".

## TIME TO REFRESH BOARD TO DRIVE VALUE

**At this important juncture, it is vital that Ardent undertakes a comprehensive review of all governance, operational, financial and strategic alternatives to create value for security holders.**

**We believe that the proposed changes to Ardent's Board are essential to bring not only a strong level of ownership representation at Board level, but also additional critical skills and experience essential to help improve overall performance and increase security holders' wealth.**

The Ardent Board has made some recent announcements in a belated effort to attempt to redress some of the obvious issues which have led to the significant decline in value and loss of market standing over the last few years.

**We – like many of you – are wholly unconvinced by the Board's recent efforts.**

**We do not believe that a Board which has presided over such a significant loss of value over the last few years can miraculously turn themselves into wealth creators and now belatedly deliver improved returns to security holders.**

**If they were capable of doing so, why have they waited so long to act?**

It is now time for a new focus at Ardent, with ownership involvement at Board level, to generate superior results and value for all Ardent investors.

As to the proposed Board nominees, we constitute two of the proposed directors. Representing the largest security holder interests in Ardent, we are completely aligned with the interests of all Ardent investors and have wide and proven credentials and experience.

In terms of our credentials:

- Dr. Gary Weiss has extensive international business experience beneficial for improving and growing Ardent's overall operations and has a proven track record in turning around underperforming businesses. He also has deep experience in corporate governance through substantial board involvements over many years, including in highly-regulated sectors such as life insurance/wealth management and aged care
- Kevin Seymour AM has extensive investment and property experience, particularly beneficial for reinvigorating Ardent's Theme Park operations and professionally assessing development opportunities for Ardent's various property interests

The other two proposed independent directors, Carl Bradford (Brad) Richmond and Andrew (Andy) Hedges, also have broad and exemplary credentials and experience. Specifically:

- Brad Richmond, based in the US, is a highly regarded senior executive with proven operational and financial skills in the full-service restaurant sector in the US. Of particular note, Brad took a leading role in the turnaround of US group Darden Restaurants (a multi-brand operator of casual dining restaurants) during which its share price grew more than 37% creating approximately US\$2.2 billion in shareholder value. Brad's skills and experience will be particularly beneficial for improving the operational and financial performance of Main Event and in the roll out of further Main Event centres

- Andy Hedges has held senior roles at Scentre Group including Director Shopping Centre Management and Director Shopping Centre Management & Marketing. Andy's achievements include growing a diverse portfolio of income (casual retail, mall media, car parking, embedded electricity networks and storeroom leasing) by 230% over 8 years to over \$200 million net operating income, creating an incremental \$2 billion of value for the business. Andy's skills and experience will be particularly beneficial for driving value in Theme Parks and Bowling centres, as well as reviewing the potential for the location of Main Event centres in major shopping malls

**Importantly, Brad Richmond and Andy Hedges, if appointed, will be considered independent according to ASX guidelines, with no connection to the nominating security holders.**

We have nominated them as proposed Directors as we believe they have the requisite abilities and experience to materially enhance the skills set of the Board and to enhance value for all Ardent security holders.

Additionally, the appointment of Brad Richmond to the Ardent Board responds immediately to Ardent's recently-announced search process for a US-based Director, which avoids the costs involved in retaining executive recruitment and remuneration consultants as part of that process.

Further information on each of the four candidates can be found in the Notice of General Meeting and Explanatory Statement and on our website [www.fixardent.com.au](http://www.fixardent.com.au).

**We strongly urge you to ACT NOW to fix Ardent and VOTE IN FAVOUR of ALL resolutions (1 to 5) in the Notice of Meeting to enact change and drive value for all security holders.**

# Ardent Leisure Limited

ACN 104 529 106

## All Correspondence to:

-  **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
-  **By Fax:** +61 2 9290 9655
-  **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)
-  **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

Please complete, sign and return your proxy form, in accordance with the details appearing below, as soon as possible. For your vote to be effective it must be received by **Ardent Leisure Limited before 10:00am (Sydney time) on Saturday 2 September 2017**. Please assist by returning this form to Boardroom Pty Limited **no later than 10:00am (Sydney time) on Friday 1 September 2017** so that Boardroom Pty Limited has sufficient time to lodge the form with Ardent Leisure Limited.

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a shareholder of the company. Do not write the name of the issuer company or the registered shareholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained from Boardroom Pty Limited by telephoning 1300 737 760 or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of shares are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your shares your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the shareholder.

**Joint Holding:** where the holding is in more than one name, all the shareholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, a certified photocopy of the Power of Attorney should be attached to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 LODGEMENT

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

-  **By Fax** +61 2 9290 9655
-  **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
-  **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

For your vote to be effective, your proxy form must be received by Boardroom Pty Limited **no later than 10:00am (Sydney time) on Friday 1 September 2017** so that Boardroom Pty Limited has sufficient time to lodge the proxy form with Ardent Leisure Limited **no later than 10:00am (Sydney time) on Saturday 2 September 2017**, being 48 hours before the time of the General Meeting.

Alternatively, proxy forms may be lodged directly with Ardent Leisure Limited. **Proxy forms sent to Ardent Leisure Limited must be received by Ardent Leisure Limited no later than 10:00am (Sydney time) on Saturday 2 September 2017** as follows:

-  **By Mail** **Ardent Leisure Limited**  
**C/- Link Market Services Limited**  
Locked Bag A14  
Sydney NSW 1235
-  **In Person** Ardent Leisure Limited  
Level 16, 61 Lavender Street  
Milsons Point NSW 2061

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Ardent Leisure Limited

ACN 104 529 106

☐

## Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Shareholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your shares using this form.**

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Ardent Leisure Limited** and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

**Dr. Gary Hilton Weiss (or in his absence, Mr. Kevin Will Seymour AM)**

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the **General Meeting** of Ardent Leisure Limited to be held at the **Radisson Blu Hotel, 27 O'Connell Street, Sydney NSW 2000 on Monday 4 September 2017 at 10:00am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

It is expected that the Chair of the Meeting will vote any undirected proxies against each of the items of business.

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Removal of additional Director/s	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Director - Dr. Gary Hilton Weiss	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director - Mr. Kevin Will Seymour AM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director - Mr. Carl Bradford (Brad) Richmond	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Director - Mr. Andrew Michael Hedges	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2017