

CONTACT DETAILS

Level 16, 61 Lavender
Street
Milsons Point NSW 2061
AUSTRALIA
Telephone +61 2 9409
3670
Investor Services 1800
ARDENT
Fax +61 2 9409 3670
www.ardentleisure.com.au

REGISTRY

c/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235
Telephone 1300 720 560
registrars@linkmarketservices.com.au

Ardent Leisure Trust
ARSN 093 193 438
Ardent Leisure Limited
ABN 22 104 529 106
**Ardent Leisure
Management Limited**
ABN 36 079 630 676
(AFS Licence No.
247010)



ASX RELEASE

11 August 2017

PRELIMINARY FY17 OPERATING PERFORMANCE AND STRATEGIC UPDATE

- **Transition to a customer experience driven leisure and entertainment portfolio now complete**
- **FY17 Core EBITDA¹ slightly exceeded guidance**
- **Theme Parks impacted by Dreamworld incident but showing improving trend in visitation levels**
- **Main Event performance disappointing but with emerging positive underlying momentum**
- **Australian Bowling and Entertainment in transition to multi-attraction entertainment business**
- **Continuing businesses (ex-Theme Parks) revenue up 16%, Core EBITDA down 4%**
- **Conservative balance sheet provides flexibility with pro forma net debt c.A\$100m**
- **Clear overall and business level strategic objectives and priorities in place to deliver significant value upside**

Ardent Leisure Limited and Ardent Leisure Management Limited in its capacity as responsible entity of the Ardent Leisure Trust (together, **Ardent**) (ASX: AAD) has today released its preliminary operating performance for FY17 and provided an update on its strategic priorities. Audited full year results will be announced by 31 August 2017.

Ardent expects to report revenue of A\$586 million for the year ended 30 June 2017, down from A\$688 million in the prior corresponding period (pcp). The 14.8% reduction in revenue reflects a number of key factors: the closure of Dreamworld for 45 days following the tragic incident in October 2016 with significantly reduced visitation after re-opening, and a significantly reduced contribution from the Health Clubs business after its sale during the year, partially offset by growth in Main Event reflecting the increase in the number of open centres.

Core EBITDA is expected to approximate A\$76 million, slightly exceeding prior guidance of A\$73-75 million. This outperformance was driven by a stronger than anticipated finish to the year by Main Event.

With the earlier completed sale and settlement of Health Clubs and imminent settlement of the sale of Marinas (expected on 14 August), Ardent's transition to a customer experience driven leisure and entertainment business is complete.

The continuing businesses - Main Event, Theme Parks, and Bowling and Entertainment - expect to report revenue of A\$499 million (up 4.5%) and Core EBITDA of A\$57 million (down 41.7%) primarily as a result of the Dreamworld incident.

¹ Defined term. Refer attached presentation.

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Commenting on the results, CEO Simon Kelly said “From my relatively early days in the business, it is clear that there are many opportunities for us to do better. We are firmly focused on these opportunities which will deliver significant value upside for our securityholders. Main Event’s results are disappointing and provide plenty of opportunities for improvement. Dreamworld has faced very challenging trading since re-opening but is firmly on the path to recovery, however this will take some time. Our Australian Bowling and Entertainment business continues its successful transition from a more traditional bowling business to a multi-faceted entertainment business.”

Main Event

USD million	FY17	FY16	Var
Revenue	226.2	174.7	29.5%
Core EBITDA	46.0	43.5	5.6%
Margin	20.3%	24.9%	(4.6)pts

Revenue was up almost 30%, driven by a combination of the full year effect of those centres opened in FY16 and the contribution from 10 new centres opened in FY17, offset in part by a decline in constant centre results. Had all 37 centres as of 30 June been open for the whole financial year, estimated annual revenue would have approximated USD264 million. Despite the increase in revenue, Core EBITDA increased only 5.6% and margin declined 460 basis points.

Constant centre revenue, measured on a like-for-like weekly basis, was down 2.6%. Competition has intensified over the past few years with a significant increase in supply, placing older, underinvested centres under pressure. At the same time, there has been an element of cannibalisation as centre “clusters” are built out. Whilst positive for the long-term strategic strength of the business, this negatively impacts short-term constant centre performance.

Constant centre revenues have progressively improved over the second half as a result of renewed management focus, along with initiatives such as the re-vitalisation of the Food & Beverage menu and the refurbishment of older centres. The subsequent trend towards the end of the year has seen progressively improving constant centre performance with 9 of the 13 weeks in the last quarter positive and June itself up 2.1% (like-for-like weekly basis).

The constant centre revenue decline, combined with prior year new centres coming off their “honeymoons” and soft first year results from newly opened centres in FY17, contributed to the margin decline. The performance of new FY17 centres reflects a combination of the move into new markets, where brand awareness is low, and non-traditional locations which have underperformed. These centres are expected to build their performance over time.

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Theme Parks

A\$ million	FY17	FY16	Var
Revenue	70.9	107.6	(34.1%)
Core EBITDA	(3.4)	34.7	(109.8%)
Margin	(4.8%)	32.3%	(37.1)pts

Theme Parks performance reflects the impact of the Dreamworld closure and lower visitation levels following the re-opening, with the revenue decline of \$37 million falling to the bottom line given the largely fixed cost nature of the business. The recovery is likely to take two years and trends to date are broadly on track with this.

The Lego store launched in January has been very successful, meeting its full year sales forecasts within its first six months. The store is accessible by both park visitors and the public, demonstrating the potential to develop more unique concepts using the land and facilities that do not require park entry. In May, the installation of new heat pumps for WhiteWater World was completed which provides year-round heating across the park, delivered economically and in an environmentally friendly way, a first for Australia.

The business has started to see the early signs of an improvement in demand with cumulative season pass sales now down 10-15% on pcp and on a positive trend. Recent events such as The Wiggles and Park After Dark have experienced attendances comparable with pre-incident levels. Over the balance of the calendar year, visitation is expected to trend upwards driven by a strong event pipeline and the re-opening of customer favourites, The Wipeout and the Log Ride.

Bowling and Entertainment

A\$ million	FY17	FY16	Var
Revenue	127.7	130.5	(2.2%)
Core EBITDA	15.2	18.2	(16.6%)
Margin	11.9%	14.0%	(2.1)pts

Results for FY17 were relatively flat other than for the impact of the closure of Kingpin Crown for renovation. The overall revenue decline dropped through to the bottom line, impacting the percentage margin for the year.

Underlying this performance, constant centres continued their recent positive trends, posting eight consecutive quarters of growth. However, overall performance was weighed by legacy AMF centres which are typically lower returning. The investments made in rebranding centres and opening new Kingpin and Playtime concepts are delivering highly attractive returns. The benefits of this transition will begin to show through in the FY18 results.

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Strategic Update

Following the divestment of Health Clubs and Marinas, the portfolio now consists of market leading leisure and entertainment experiences - US based Main Event, and the two Australian businesses, Theme Parks along with Bowling and Entertainment.

Main Event is on track to becoming one of the leading customer experience entertainment businesses in the US, delivering superior long-term returns. The business is focused on expanding its presence through investing in high returning centres in new territories and building out regional clusters, whilst optimising its operating performance.

Theme Parks will consolidate its position as a “must visit” Gold Coast attraction as the concept of a high quality leisure and entertainment precinct centered around Dreamworld evolves. The business is prioritising the restoration of sustained historic free cash flow delivery, leveraging its capabilities into other experiential attractions as well as realisation and optimisation of the latent land value at Dreamworld.

Bowling and Entertainment is in transition to a multi-attraction entertainment experience business delivering long term sustainable economic returns. This transition is underpinned by the roll out of “on trend” Kingpin and Playtime brands and the progressive closure of non-core AMF centres.

Commenting on strategy, Mr Kelly said “Our objective is to optimise each business operationally and strategically, with a singular focus on delivering sustained growth in long-term shareholder value. Achieving this will create broader opportunities, but it is important right now that we get “match fit”. We have outstanding businesses with significant potential and the executive team and I are fully focused on ensuring we comprehensively deliver on realising that considerable potential for our shareholders.”

“We have a very good understanding of the operational performance and potential of each of our businesses and detailed strategic and operational plans are in place to deliver significant upside in value.”

Full details of the strategy and priorities for each business are set out in the presentation that accompanies this announcement.

Capital Management

Net debt, on a proforma basis (adjusted for the sale of Marinas due to settle on 14 August), will fall to around \$100 million. This is down significantly from over \$300 million only twelve months ago and represents pro forma leverage of 1.8X. Sale proceeds from Health Clubs and Marinas (on settlement), together with strong operating cash flow, are being directed towards the repayment of debt and re-investment in business growth, predominantly in Main Event.

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In future, the focus will be on achieving the right balance between shareholder distributions and retaining capital for investment in growth, with strong discipline around capital allocation and ensuring returns delivery. Broadly, cash flows from Main Event are expected to be directed towards re-investment in growth while cash generated by Dreamworld will be predominantly directed towards distributions.

Investor Inquiries:

Darren Shacknoffsky
Head of Corporate Development
and Investor Relations
Tel: +61 (2) 9409 3673

Media Inquiries:

Tim Allerton
Tel: +61 (2) 9267 4511
Mob: +61 412 715 707