



# Ardent Leisure Group FY18 Results Presentation

August 2018



# Disclaimer



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## FY18 Group Overview



# FY18 – Key Messages



- Revenue<sup>1</sup> down 5.1% due to sale of three businesses - but revenue<sup>1</sup> from continuing businesses (Main Event and Theme Parks) up 16.1% over the prior corresponding period
- Main Event revenue grew 23.5% reflecting approximately 7.6 additional average centre equivalents vs pcg and constant centre revenue growth of 1.6% on a like-for-like basis. EBITDA margin adversely impacted by certain FY17 cohort non-constant centres, restructuring costs, non-cash impairment charges and other non-recurring costs
- FY18 Cohort performance has been strong with higher margins than existing centres
- One Main Event centre opening expected in FY19 (potentially some later in FY19) and going forward, there will be an aggressive focus on expanding the footprint in the right locations
- Theme Parks revenue down (1.4%) for FY18, although 2H visitation up 12.5%
- Coronial inquiry expected to be completed in October / November 2018
- Sale of Bowling & Entertainment business completed on 30 April 2018 for gross proceeds of \$160 million, generating a gain of \$20.3 million
- Strong balance sheet at 26 June 2018 (net debt: \$11.3 million) to support growth at Main Event and new attractions at Dreamworld following the sale of Marinas and Bowling & Entertainment businesses



# Reported Results vs Pro Forma Results



## *Simplified reporting and adoption of retail calendar*

A\$m	FY18		
	As Reported <sup>1</sup>	Extra Days	Pro Forma <sup>2</sup>
Revenue	547.5	7.6	555.1
Business unit EBITDA	(38.5)	3.7	(34.8)
Corporate	(15.5)	(0.1)	(15.6)
<b>EBITDA<sup>3</sup></b>	<b>(54.0)</b>	<b>3.6</b>	<b>(50.4)</b>
Depreciation and amortisation	(55.9)	(0.5)	(56.4)
<b>EBIT<sup>3</sup></b>	<b>(109.9)</b>	<b>3.1</b>	<b>(106.8)</b>
Borrowing costs (net)	(10.2)	(0.1)	(10.3)
<b>Net (loss) / profit before tax</b>	<b>(120.1)</b>	<b>3.0</b>	<b>(117.1)</b>
Income tax benefit	29.4	(0.9)	28.5
<b>Net (loss) / profit after tax</b>	<b>(90.7)</b>	<b>2.1</b>	<b>(88.6)</b>

<sup>1</sup> For the period 1<sup>st</sup> July 2017 to 26<sup>th</sup> June 2018

<sup>2</sup> For the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

<sup>3</sup> Refer defined terms

### Simplified reporting:

- Group no longer presenting a measure of “core earnings”

### Change of reporting period:

- Adoption of retail calendar to enable improved comparability by ensuring reporting periods comprise the same number of days and, in particular, weekends
- FY18 is a transitional period from 1<sup>st</sup> July 2017 to 26<sup>th</sup> June 2018 i.e. 361 days (FY17 365 days)
- "Extra days" is the trading results for the four day period from 27<sup>th</sup> June 2018 to 30<sup>th</sup> June 2018 calculated on a consistent basis with prior periods
- The pro forma result is for the 365 day period from 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018 for comparison with pcp
- Remainder of this presentation focuses on pro forma results unless otherwise stated

# Pro Forma Results vs Prior Corresponding Period

***Performance vs Prior Year Impacted by Sales of Businesses; Current Year Includes Several Non-cash Valuation and Impairment Charges***



A\$m	Consolidated		
	FY18 <sup>1</sup>	FY17	Variance
Revenue	555.1	584.9	(5.1%)
Business unit EBITDA	(34.8)	20.4	(270.6%)
Corporate	(15.6)	(19.2)	18.8%
<b>EBITDA<sup>2</sup></b>	<b>(50.4)</b>	<b>1.2</b>	<b>(4300.0%)</b>
Depreciation and amortisation	(56.4)	(55.0)	(2.5%)
<b>EBIT<sup>2</sup></b>	<b>(106.8)</b>	<b>(53.8)</b>	<b>(98.5%)</b>
Borrowing costs (net)	(10.3)	(12.1)	14.9%
<b>Net loss before tax</b>	<b>(117.1)</b>	<b>(65.9)</b>	<b>(77.7%)</b>
Income tax benefit	28.5	3.3	763.6%
<b>Net loss after tax</b>	<b>(88.6)</b>	<b>(62.6)</b>	<b>(41.5%)</b>

## Key factors driving variances:

- Reduced revenue primarily reflects sale of Health Clubs (Oct-16), Marinas (Aug-17) and Bowling (Apr-18), which contributed in prior corresponding period, partly offset by growth in Main Event
- Business unit EBITDA is impacted by several large non-cash and non-recurring items as well a reduced EBITDA contribution following the sale of the aforementioned businesses. Refer next slide for specific items impacting results
- Income tax benefit includes a credit relating to a favorable adjustment of Main Event's deferred tax balances in connection with US Tax Reforms, which have lowered the US corporate income tax rate

<sup>1</sup> Proforma for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

<sup>2</sup> Refer defined terms

# Specific Items Impacting Results



***Results in both periods adversely impacted by non-cash revaluation losses***

A\$m	Consolidated	
	FY18 <sup>1</sup>	FY17
<b>Specific items impacting EBITDA:</b>		
Valuation loss - property, plant and equipment and investments held at fair value	(75.4)	(88.7)
Impairment of intangible assets including goodwill	(4.8)	(0.8)
Impairment of property, plant and equipment	(39.3)	(0.1)
Dreamworld incident costs, net	(6.1)	(5.4)
Pre-opening expenses	(6.5)	(13.9)
Gain on sale of business	25.0	45.0
Selling costs associated with sale of businesses	(0.1)	(0.8)
Loss on disposal of assets	(2.1)	(3.8)
Restructuring and other non-recurring items	(9.3)	(4.1)
<b>Total</b>	<b>(118.6)</b>	<b>(72.6)</b>
<b>Specific items impacting tax benefit:</b>		
Revaluation of US deferred tax balances	12.2	
Tax impact of specific items above	18.1	7.5
<b>Total</b>	<b>30.3</b>	<b>7.5</b>

## Specific items impacting results:

- Specific items which are useful in understanding the statutory results are set out on this slide (as per statutory accounts)
- Results for the current and prior period have been significantly impacted by write-downs in the value of Dreamworld following the incident in October 2016, together with the impact of the sale of businesses. In addition, the current year included a \$38.3 million impairment charge associated with five underperforming Main Event family entertainment centres that continue to experience challenging trading conditions
- Breakdown of specific items by business unit as well as reconciliations to the previous definitions of “core earnings” and “segment EBITDA” are provided in the appendices
- Prior year comparatives have been restated to reflect the presentation and definitions adopted in the current period

# Continuing Operations



## Main Event and Theme Parks

A\$m	Continuing Operations		
	FY18 <sup>1</sup>	FY17	Variance
<b>Revenue</b>			
Main Event	360.2	299.5	20.3%
Theme Parks	69.9	70.9	(1.4%)
<b>Revenue</b>	<b>430.1</b>	<b>370.4</b>	<b>16.1%</b>
<b>EBITDA<sup>2</sup></b>			
Main Event	15.1	45.8	(67.0%)
Theme Parks	(91.1)	(98.4)	7.4%
Corporate	(15.6)	(19.2)	18.8%
<b>EBITDA<sup>2</sup></b>	<b>(91.6)</b>	<b>(71.8)</b>	<b>(27.6%)</b>
<b>EBITDA<sup>2</sup> margin</b>	<b>(21.3%)</b>	<b>(19.4%)</b>	<b>(1.9) pts</b>
<b>EBIT<sup>2</sup></b>			
Main Event	(18.5)	21.2	(187.3%)
Theme Parks	(99.9)	(107.3)	6.9%
Corporate	(16.7)	(20.4)	18.1%
<b>EBIT<sup>2</sup></b>	<b>(135.1)</b>	<b>(106.5)</b>	<b>(26.9%)</b>
<b>EBIT<sup>2</sup> margin</b>	<b>(31.4%)</b>	<b>(28.8%)</b>	<b>(2.6) pts</b>

### Continuing operations:

- Main Event now the primary division, accounted for over 80% of FY18 revenue and growing at 23.5% in US dollar terms (20.3% in Australian dollars after impact of foreign exchange movements)
- Main Event's EBITDA was impacted by non-cash impairment charges for five locations, restructuring costs and other non-recurring items
- Dreamworld continues to recover albeit at a slower rate than anticipated
- Significant non-cash revaluation write-down and impairments of \$79.6 million occurred for the Theme Parks business in FY18
- Group office corporate costs have been reduced, albeit the current year is impacted by \$1.8 million of restructuring and other non-recurring items, \$0.4 million of fair value adjustment in investment and \$1.2 million impairment in intangible assets

<sup>1</sup> Proforma for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

<sup>2</sup> Refer defined terms



# Discontinued Operations



## *Sale of Marinas (August 2017) and Bowling & Entertainment (April 2018)*

A\$m	Discontinued Operations	
	FY18 <sup>1</sup>	FY17
<b>Revenue</b>		
Bowling and Entertainment	122.4	127.7
Marinas	2.7	24.1
Health Clubs	-	62.7
<b>Revenue</b>	<b>125.1</b>	<b>214.5</b>
<b>EBITDA<sup>2</sup></b>		
Bowling and Entertainment	36.1	10.7
Marinas	5.2	9.0
Health Clubs	(0.1)	53.3
<b>EBITDA<sup>2</sup></b>	<b>41.2</b>	<b>73.0</b>
<b>EBIT<sup>2</sup></b>		
Bowling and Entertainment	23.2	(3.5)
Marinas	5.2	9.0
Health Clubs	(0.1)	47.2
<b>EBIT<sup>2</sup></b>	<b>28.3</b>	<b>52.7</b>

### Discontinued operations:

- The sale of Bowling & Entertainment division completed on 30 April 2018, generated a profit on sale of \$20.3 million
- The Bowling division's gross proceeds of \$160 million represented an attractive multiple of FY17 EBITDA less routine capex and FY17 EBIT
- The sale of the Marinas business completed on 14 August 2017, generated gross proceeds of \$126 million and a profit on sale of \$4.7 million
- The Health Clubs business was sold on 25 October 2016 for gross proceeds of \$260 million and generated a profit on sale of \$45.0 million.

<sup>1</sup> Proforma for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

<sup>2</sup> Refer defined terms



**Main Event**



# Main Event

**Revenue up 23.6%, led by new centre growth and 1.6% increase in constant centre sales**



The figures in the table below are in US\$ million

US\$m	FY18 <sup>1</sup>	FY17	Variance
Revenue	278.9	225.7	23.5%
EBRITDA <sup>2</sup>	49.8	64.2	(22.3%)
Operating margin	17.9%	28.4%	(10.5) pts
Property costs	(37.2)	(29.6)	(25.7%)
<b>EBITDA<sup>2</sup></b>	<b>12.6</b>	<b>34.6</b>	<b>(63.6%)</b>
<b>EBITDA<sup>2</sup> margin</b>	<b>4.5%</b>	<b>15.3%</b>	<b>(10.8) pts</b>
Depreciation and amortisation	(26.0)	(18.5)	(40.5%)
<b>EBIT<sup>2</sup></b>	<b>(13.4)</b>	<b>16.1</b>	<b>(183.9%)</b>

The results above includes the following:

Pre-opening expenses	(4.5)	(9.5)	52.6%
Restructuring and other non-core items	(5.6)	(1.1)	(409.1%)
Impairment of property, plant and equipment	(28.4)	-	n/a
Loss on disposal of assets	(0.5)	(0.2)	(150.0%)
<b>Specific items impacting EBITDA</b>	<b>(39.0)</b>	<b>(10.8)</b>	<b>(261.1%)</b>

## Main Event Performance:

- Sales growth of 23.5% reflects approximately seven additional average centre equivalents vs pcp
- Constant centre revenue increased 1.6% on a like-for-like basis
- Continued challenging trading conditions for certain FY17 cohort centres leading to overall margin pressure
- Non-cash asset impairment charge of US\$28.4 million and another US\$6.1 million of restructuring, one-time costs and non-cash loss on disposal of assets
- Increase in depreciation and amortisation primarily reflects the investments in new centre openings during FY17 and FY18; remodelling of five constant centres, new support centre and related system investments
- Pre-opening costs of US\$4.5 million in FY18 vs US\$9.5 million in FY17 reflect fewer new centre openings in the current year

<sup>1</sup> Proforma For the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

<sup>2</sup> Refer defined terms

# Main Event

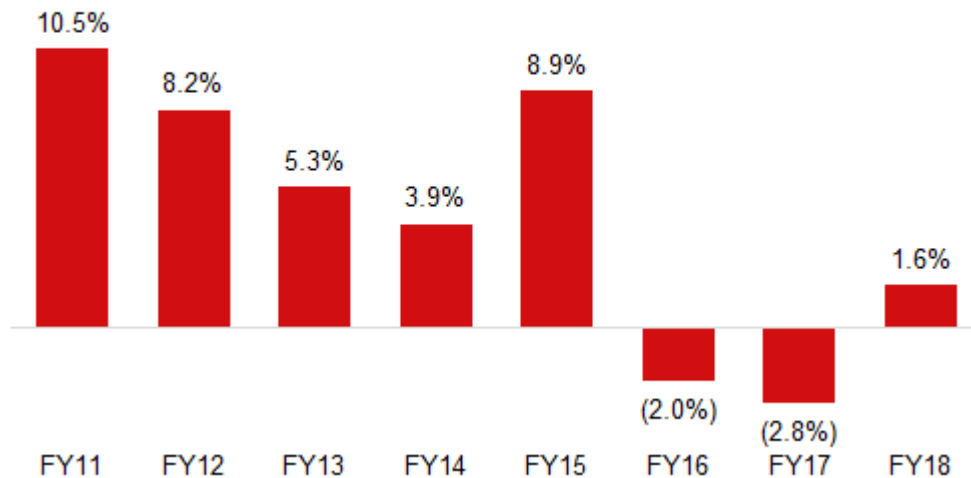


## Constant centre<sup>1</sup> sales trends improved in FY18 from check growth



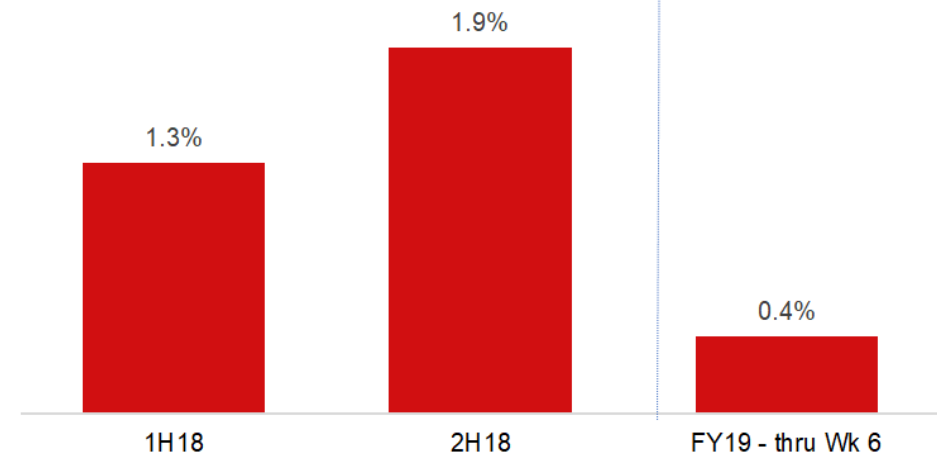
### Constant Centre<sup>1</sup> Revenue Up in FY18

Constant Centre<sup>1</sup> Sales Trend - Like-for-like<sup>2</sup>



### Trend is Improving with Sequential Improvement

Constant Centre<sup>1</sup> Sales Trend - Like-for-like<sup>2</sup>



- Improvements in constant centre revenue trends driven by walk-in sales growth primarily associated with pricing optimisation around promotional offers
- Event business unfavourably impacted by changes made to the inbound call process for birthday parties; this issue was addressed in the second half of the fiscal year
- Second half of FY18 benefited from timing of Christmas holiday

### FY19 & Moving Forward

- Start of FY19 impacted by unfavourable timing of US Independence Day; excluding the first week of FY19, constant centre growth would be up 2.2%
- 30 centres now in constant centre base vs 21 in FY18
- Minimal pricing action expected as management focuses on walk-in traffic-building strategies and growth of event business (including birthday parties) through focused investments in sales teams and enhanced guest experience

<sup>1</sup> Refer defined terms.

<sup>2</sup> Constant centres presented on a "like-for-like daily" basis.



# Main Event

**Constant centre<sup>1</sup> cohort stabilised; FY18 cohort showing early strong performance**



US\$m	Constant Centres	Non-Constant Centres	New Centres in FY18	Centre level	Marketing Expenses	Regional/Central Costs	Pre-opening costs	Other specific item	Total
<b>FY18</b>									
# of centre equivalents	21.0	16.0	1.4	38.4					38.4
Revenue	154.7	109.4	14.8	278.9					278.9
EBITDA	51.1	33.1	5.5	89.7	(11.4)	(26.7)	(4.5)	(34.5)	12.6
EBITDA Margin	33.0%	30.3%	37.2%	32.2%	(4.1%)	(9.6%)	(1.6%)	(12.4%)	4.5%
Average unit revenue	7.4	6.8	10.3	7.3					
<b>FY17</b>									
# of centre equivalents	21.0	9.8	-	30.8					30.8
Revenue	151.7	74.0	-	225.7					225.7
EBITDA	49.1	23.1	-	72.2	(9.8)	(18.1)	(9.5)	(0.2)	34.6
EBITDA Margin	32.4%	31.2%	-	32.0%	(4.3%)	(8.0%)	(4.2%)	(0.1%)	15.3%
Average unit revenue	7.2	7.6		7.3					
<b>Impact on margin</b>	<b>0.4%</b>	<b>(0.4%)</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>(1.6%)</b>	<b>2.6%</b>	<b>(12.3%)</b>	<b>(10.8%)</b>

- Centre-level margin increased 20bps, led by constant centre improvement of 60bps and strong performance of the FY18 cohort
- Non-constant centre margins decreased 90bps, driven by impact of certain underperforming centres
- Average unit revenue increase associated with constant centre growth and performance of FY18 new centres, partially offset by lower volumes of FY17 cohort
- Increase in regional/corporate costs primarily reflect additional headcount and related support costs to facilitate future growth and shifted geography of regional costs that were previously recorded at the centre-level
- Marketing expense increase associated with the addition of new centre openings, some in new markets, as well the testing of TV media spend vs FY17
- Pre-opening cost reduction reflects fewer openings in FY18 (four) versus FY17 (ten)
- Other specific items in FY18 include US\$28.4 million in impairment charges for five underperforming centres, restructuring and other non-recurring costs of US\$6.1 million, and pre-opening costs of US\$4.5 million

# New Centre Performance

## *F18 Cohort Performing Strong; Reaffirms Scalability and Industry-Leading Margins when Disciplined Real Estate Process is Maintained*



- FY18 cohort (four centres) has started strong, although read is early on three of the locations:
  - Knoxville, TN (July 2017) and Wilmington, DE (March 2018) have performed exceptionally well, with combined FY18 EBITDA margin (pre-marketing) of over 40%, exceeding our constant centre margin by 700 bps
  - First mall opening in Columbia, MD (May 2018) is currently exceeding sales expectations; Avon, OH (June 2018) is expected to be a more gradual build
- Year 1 ROI (cash-on-cash on returns) remain strong when we focus on the proper real estate strategy which can include not only free-standing, ground-up development but also high-quality second generation real estate (i.e. mall and other retail or big-box redevelopment)

<b>Year 1 ROI<sup>1</sup> for Locations Open For 12+ Months (excluding Latitudes &amp; Orlando - five centres)</b>	
<b>Last three openings</b>	<b>41.8%</b>
<b>2012 - 2017 (24 centres)</b>	<b>41.9%</b>

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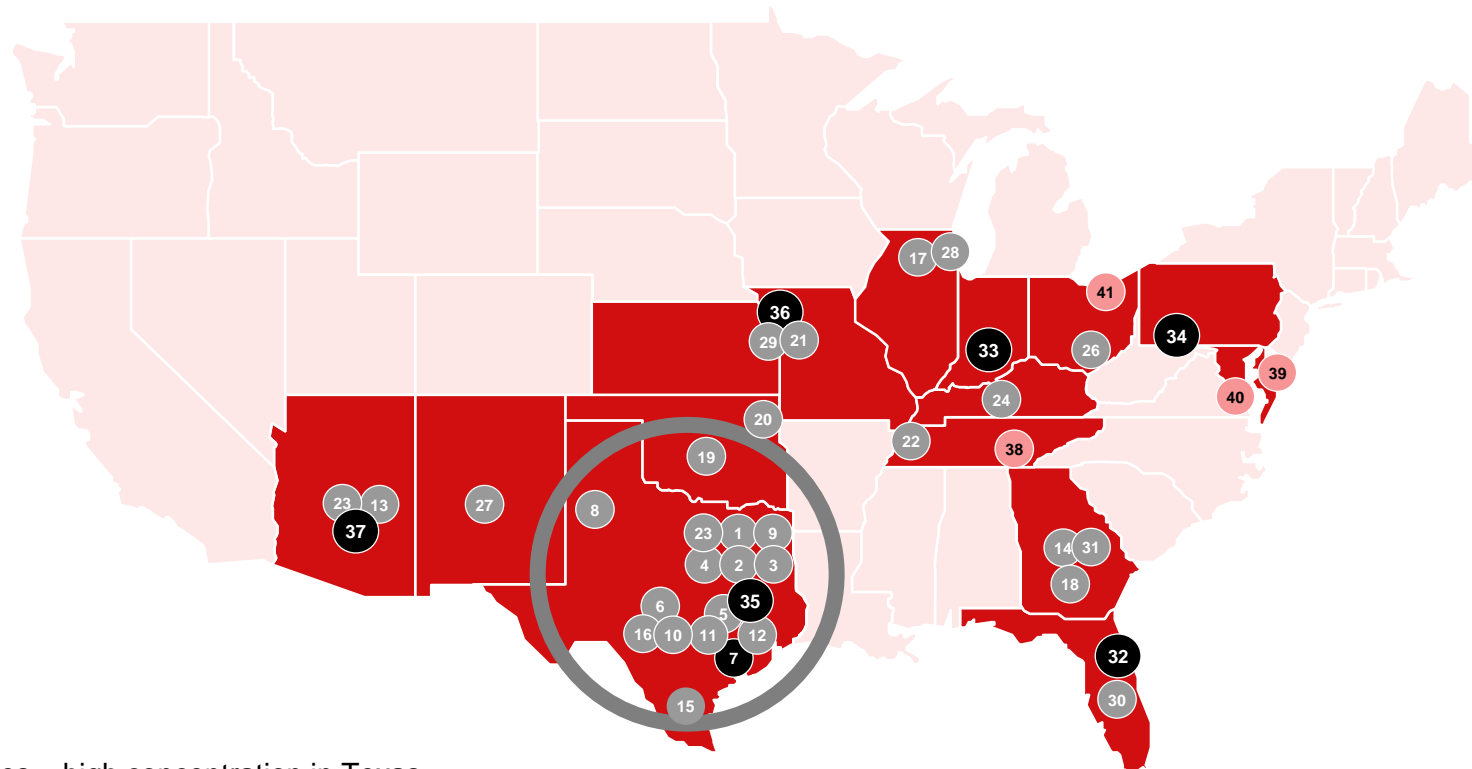
- During FY18, we reset and redefined our real estate strategy focusing on the following key criteria:
  - Major / Regional Shopping Areas
  - High Density Markets and Trade Areas
  - Saturation & Competition Mapping – ensuring we know and understand all competitors in a market and overall appetite for family entertainment centres
- We believe that successful execution of this strategy along with a redefined and enhanced guest experience within our centres should cause future new centres to yield ROI's similar to our recent experience
- Based on the real estate strategy reset in FY18, we anticipate opening one centre in Q2 FY19 (Highlands Ranch, TX) and any other potential openings would yield very little operating weeks in late FY19

<sup>1</sup> Excludes pre-opening costs

# Main Event Centres – Geographic Overview



*Geographic diversification to drive longer term benefits*



- Constant Centres – high concentration in Texas
- Non-constant centres opened prior to FY18
- New centres opened in FY18 – all in new markets

## Existing Sites

- |                         |                         |                         |                          |                      |                    |
|-------------------------|-------------------------|-------------------------|--------------------------|----------------------|--------------------|
| 1. Lewisville, TX       | 8. Lubbock, TX          | 15. Pharr, TX           | 22. Memphis, TN          | 29. Olathe, KS       | 36. KC North, MO   |
| 2. Grapevine, TX        | 9. Frisco, TX           | 16. San Antonio (W), TX | 23. Avondale, AZ         | 30. Orlando, FL      | 37. Gilbert, AZ    |
| 3. Plano, TX            | 10. San Antonio (N), TX | 17. Warrenville, IL     | 24. Ft Worth (North), TX | 31. Suwanee, GA      | 38. Knoxville, TN  |
| 4. Ft Worth (South), TX | 11. Katy, TX            | 18. Atlanta, GA         | 25. Louisville, KY       | 32. Jacksonville, FL | 39. Wilmington, DE |
| 5. Shenandoah, TX       | 12. Stafford, TX        | 19. Oklahoma City, OK   | 26. West Chester, OH     | 33. Indianapolis, IN | 40. Columbia, MD   |
| 6. Austin (North), TX   | 13. Tempe, AZ           | 20. Tulsa, OK           | 27. Albuquerque, NM      | 34. Pittsburgh, PA   | 41. Avon, OH       |
| 7. Webster, TX          | 14. Alpharetta, GA      | 21. Independence, MO    | 28. Hoffman Estates, IL  | 35. Humble, TX       |                    |

# Main Event Strategic Priorities



## *Perspectives from New Chief Executive Officer, Chris Morris*

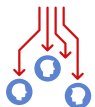


- Brand is strong and well-positioned for growth in an out-of-home family entertainment category that is very robust
- Superior unit economics and significant whitespace for growth
- Success of recent new centre openings in new and diverse markets reaffirms the scalability of the concept
- We must redefine the guest experience (entertainment and F&B offerings as well as engagement from our team members), increase brand awareness and deliver on a differentiated brand positioning
- There exists significant capacity within our centres to deliver meaningfully higher sales volumes, and we believe this potential can be unlocked with the disciplined and successful execution of our growth strategies

### Summarised Priorities That Main Event is Focused on in FY19



Tablestakes that are consistently met with a service-oriented culture



Increased brand awareness and consideration, driven in large part by great in-store experiences and positive word of mouth from guests



Focused, differentiated brand positioning that meets guest's needs and wins in the market



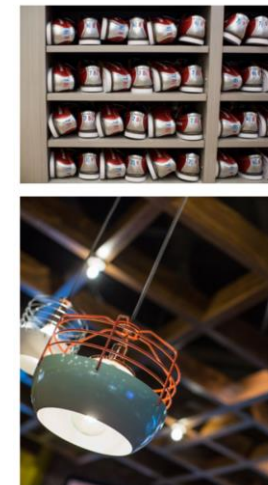
Aggressive focus on new centre development, but focus on high-quality sites to achieve historically strong ROI's



# Optimise Offerings & Guest Experience



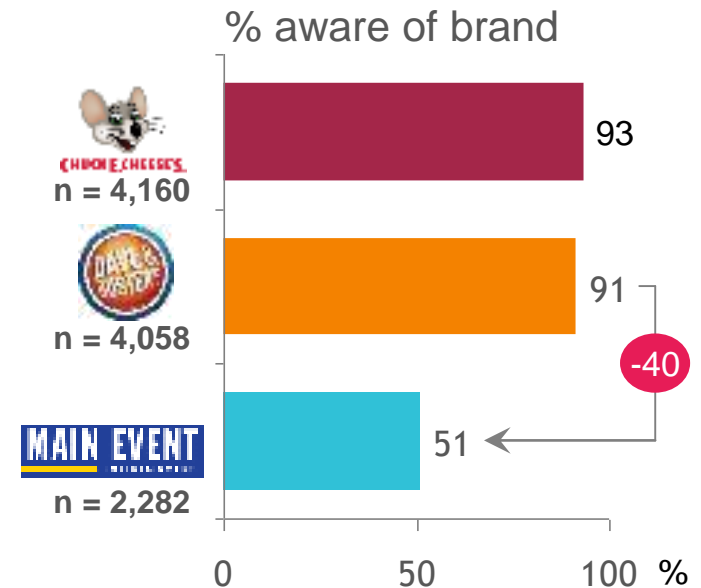
- Go-forward strategy uses customer needs as a filter for decisions to create best-in-industry guest experience
- Improve F&B offering through high-quality, rapid-service concept and enhancing menu
- Optimise entertainment offering
- Drive events business by growing relevant occasions that strategically target our defined consumer
- Align hospitality / training models to execute against guest experience strategy
- Optimise guest experience and space productivity, which includes leveraging of technology



# Defining our Brand Position and Improving Value



- Increased focus on consumer insights – this will inform us of the consumer demand space that we have the most equity and greatest opportunity to command market share
- Clear definition of who our core consumers are and who we are competing with
- Will determine our brand voice and drive a consistent message to our guests across all platforms – in and out of centre
- Focus will be to significantly elevate brand awareness and drive more conversions through the funnel
- Ensure efficient, targeted advertising investments



- Align pricing and packages with activity/menu item roles and ensure competitive opening price points
- Build promotions strategy to fill shoulders and troughs and drive incremental visits and spend consistent with targeted needs
- Design winning loyalty program motivating desired behaviors

# New Centre Development



- Aggressive focus on expanding our footprint:
- Priority on new centre development
  - New executive leader, with multiple years in the development and family entertainment centre industry, is in-place driving our real estate strategy
  - Focused on quality real estate in priority trade areas
  - A balance of development in existing trade areas and new markets
  - Real estate site characteristics to include ground-up development as well as second-generation space, such as mall locations
- Targeted scenario would result in investment costs and unit economics generating a year-one ROI similar to our recent performance at successful sites adhering to a disciplined real estate strategy







# Theme Parks





# Theme Parks



## Results impacted by Dreamworld incident in October 2016

A\$m	FY18 <sup>1</sup>	FY17	Variance
Revenue	69.9	70.9	(1.4%)
Expenses	(161.0)	(169.3)	4.9%
<b>EBITDA<sup>2</sup></b>	<b>(91.1)</b>	<b>(98.4)</b>	<b>7.4%</b>
<b>EBITDA<sup>2</sup> margin</b>	<b>(130.3%)</b>	<b>(138.8%)</b>	<b>8.5 pts</b>
Depreciation and amortisation	(8.8)	(8.9)	2.2%
<b>EBIT<sup>2</sup></b>	<b>(99.9)</b>	<b>(107.3)</b>	<b>7.0%</b>
<b>Attendance ('000s)</b>	<b>1,658.0</b>	<b>1,663.0</b>	<b>(0.3%)</b>
The results above includes the following:			
Valuation loss - property, plant and equipment and investments held at fair value	(75.0)	(88.7)	15.4%
Impairment of intangible assets including Goodwill	(3.6)	(0.8)	(350.0%)
Impairment of property, plant and equipment	(1.0)	-	n/a
Dreamworld incident costs, net of insurance recoveries	(6.2)	(5.4)	(14.8%)
Loss on disposal of assets	(0.5)	(0.1)	(400.0%)
<b>Specific items impacting EBITDA</b>	<b>(86.3)</b>	<b>(95.0)</b>	<b>9.2%</b>

### Theme Parks Performance:

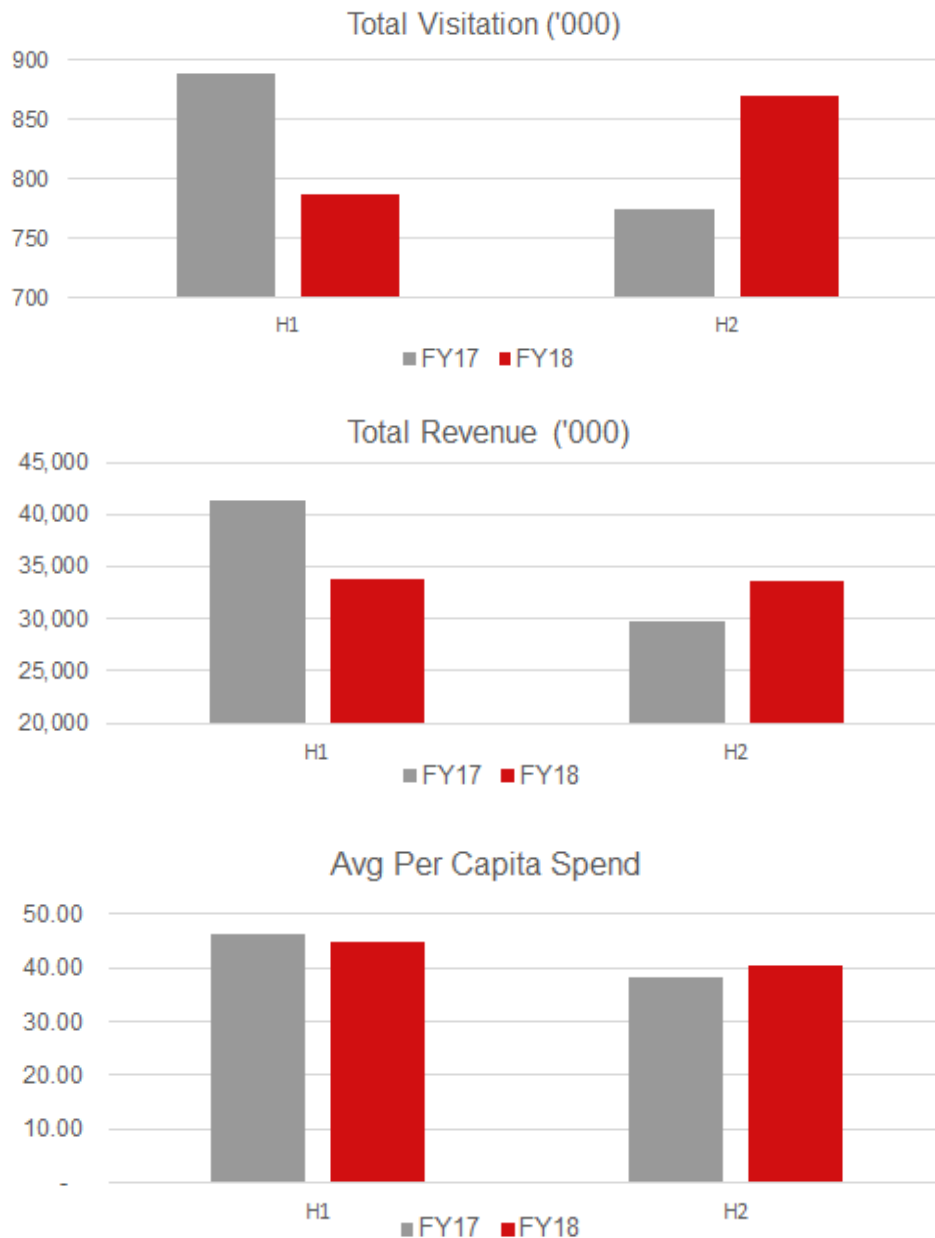
- Revenue from the Australian Theme Parks division was impacted by continued slow recovery post the Thunder River Rapids ride tragedy which occurred in October 2016 and discounted ticket pricing.
- EBITDA includes an impairment charge of \$79.6 million, which include SkyPoint revaluation decrement of \$3.6 million and \$1.0 million of other assets (FY17: \$89.5 million relating to Dreamworld only) and incident-related costs net of insurance recoveries of \$6.2 million (FY17: \$5.4 million).
- Excluding the impairment charge, incident-related costs and loss on disposal of assets, the Theme Parks division recorded a \$4.8 million loss of pro forma EBITDA in FY18 as a result of the relatively fixed cost nature of the business.

<sup>1</sup> Proforma for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

<sup>2</sup> Refer defined terms

# Theme Parks

## Recovery evident in second half results



### Theme Parks Performance:

- Second half visitation results have improved 12.5% compared to prior period. Strong support from the local and international markets continue with interstate markets returning in recent holiday periods.
- Per capita spend showing positive signs with recent price increases in 1 Day Tickets and Season Passes from late May 2018.
- Finished the year with over 250,000 loyal passholders, utilising their benefit of unlimited access.
- Significant investment in safety systems, processes and people continues.
- SkyPoint continues to appeal to both domestic and international guests with food & beverage offering providing strong growth.
- Completion of the coronial hearing in October & November 2018 may impact FY19 results.

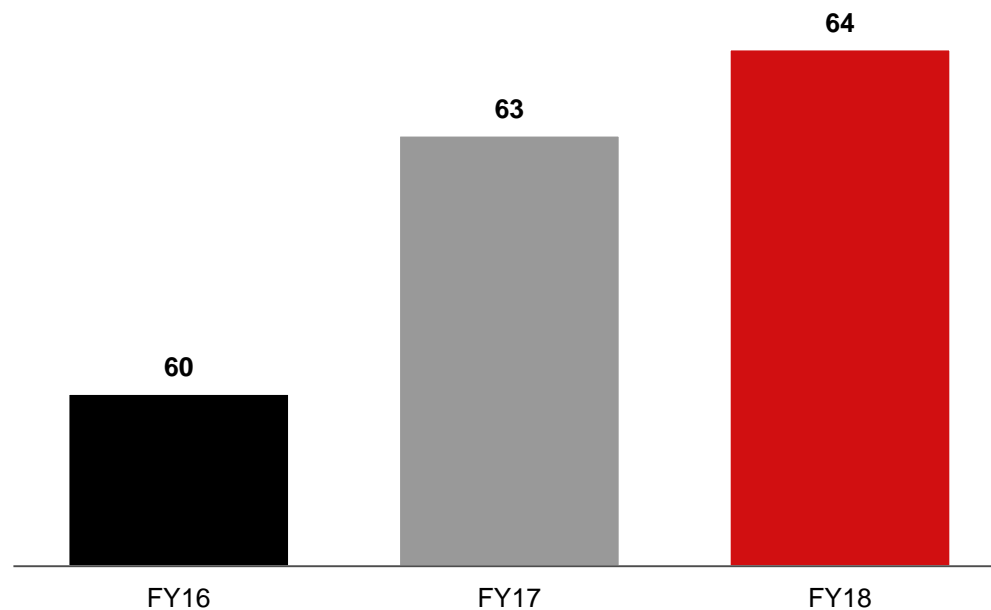
# Theme Parks

## Guest satisfaction remains high

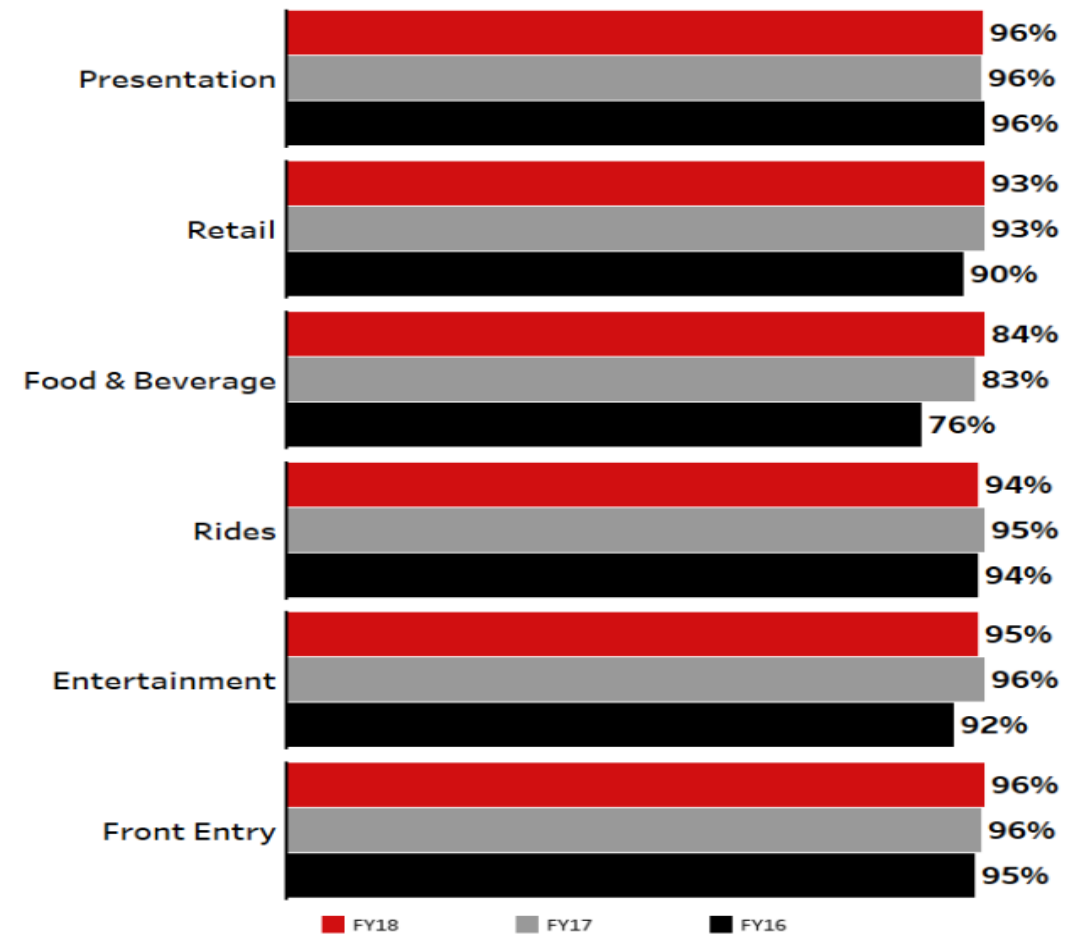


- Customer satisfaction remains positive
- Net Promoter Score (NPS) of 64
- Excellent feedback on key experiences

Net Promoter Score<sup>1</sup> (NPS)



Guest Satisfaction Survey (Good to Great Scores)<sup>2</sup>



<sup>1</sup> The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others

<sup>2</sup> Guests answer one question for each of the Theme Park product or experience categories and provide a rating via four options - poor, average, good or great. Good to Great Score is the percentage of guests completing the survey who have rated Good or Great in each category independently

## *Moving Forward*

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- The Dreamworld management team was significantly restructured and strengthened with the appointment of three experienced executives focused on global best practice across all aspects of operations.
  - Nicole Noye – Acting Chief Executive Officer
  - Phil Tanner – Director of Safety
  - Mike McKay – Director of Culture, Community and External Relations
- Restructured management team, focusing on 3 key objectives:
  - Global Best Practice, Safety & All Operations
  - One Team
  - Moving Forward
- DreamWorks Trolls Village launched in late June 2018. the world's first Trolls-branded attraction. A \$2m investment with live shows, character appearances, DIY cupcakery, Trolls Funhouse, Guy Diamonds Retail and the Get Trolled Up experience.
- Dreamworld will host the new LEGO® Brickman Awesome Exhibition in the September school holidays, further reinforcing the park as a LEGO destination. This dedicated interactive display includes play tables and 39 exclusive LEGO models – created with over 2 million bricks.
- Flying Theatre attraction (iRide) to be opened in late December 2018; this \$15 million attraction will be the first of its kind in the Southern Hemisphere and will showcase Australian landscapes in a breathtaking experience.



## *Moving Forward*

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- Planning for Water Park expansion and new Dark Ride progressing.
- Over \$4.0 million committed towards safety management systems and applications to improve guest experience through digital platforms and modernise our staff communication and efficiencies using best practice solutions.
- New ticket pricing introduced in late May 2018 to align with new investments, further entertainment offers and upcoming attractions over the next twelve months. The review considered overall value to consumers, including the addition of the Annual Photo Pass for all season pass holders and the removal of the online booking fee.
- Successful launch of partnership with AfterPay to engage with new customer base and offer customers an innovative payment method via interest free instalments.
- New accounting standard (AASB 15) will require a revenue recognition change for Dreamworld. Currently, multi-day passes, season and annual passes are recognised as revenue as the passes are used. Beginning in FY19, these passes will be recognised on a straight-line basis over the period of time that the pass may be used by the guest that purchased it. While no restatement of prior years will be made in our financial statements, as we discuss our sales performance in FY19 for Dreamworld, we will present it relative to a restated FY18 revenue balance for comparability purposes.



## Group – Corporate Costs & Capital Management



# Balance Sheet Strengthened

***Led by Proceeds from Sale of Businesses, Indebtedness Significantly Reduced, Positioning Company for Future Investment***



A\$m	FY18 <sup>1</sup>		As at 30 June 2017	A\$m
Net debt at 30 June 2017	(222.4)	→	Debt	(233.2)
Operating cash inflows	57.1		Cash	10.8
Capital expenditure (cash outflow)	(122.3)			<b>(222.4)</b>
Proceeds from sale of plant and equipment	0.4			
Proceeds from sale of land and buildings	12.6			
Insurance recoveries relating to damaged assets	9.2			
Sale of Marinas, net of cash disposed	123.1			
Sale of Bowling & Entertainment, net of cash disposed	152.3			
Borrowing costs	(10.4)			
Distributions	(11.1)			
Foreign exchange translation	0.2			
	<b>211.1</b>			
Net debt at 26 June 2018	(11.3)	→	As at 26 June 2018	
			Debt	(27.8)
			Cash	16.5
				<b>(11.3)</b>

- Proceeds from sale of businesses were applied to the repayment of debt (prior to required Trust distributions to cover shareholder tax obligations)
- Capital freed up to support growth of Main Event and Dreamworld revitalization & innovation



- Subsequent to the sale of the Health Clubs, Marinas and Bowling businesses, the needs of the Group office have changed, creating an opportunity to rationalise the ongoing costs of the Group office and allowing us to maintain the key management positions needed to effectively operate the necessary financial, legal and regulatory functions. Group office overhead costs in FY18 were approximately \$15.6 million versus \$19.2 million in FY17.
- Excluding positions that are no longer in place, ongoing Dreamworld incident costs, other non-recurring or restructuring charges, Group office costs are expected to approximate \$9.0 to \$10.0 million annually, assuming no significant changes to the structure or business strategy.
- The composition of the Board of Directors has changed significantly during FY18, with four new individuals joining the board (Gary Weiss, Brad Richmond, Randy Garfield & Toni Korsanos). The Board is currently comprised of two US-based board members (Brad Richmond & Randy Garfield) with the anticipation that one additional US-based board member may join, demonstrating the importance of and focus on the Main Event business.
- To support the Board and management achieve global best practice across all aspects of its operations, the Board has appointed Mr Geoff Sartori as an independent external Safety Advisor. Geoff is currently Safety Advisor to the Board of Virgin Australia Group having previously worked at Qantas as Group General Manager – Group Safety and more recently Principal Safety Advisor – Qantas Group.



# Capital Allocation Priorities, Capital Structure & Funding

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- Management believes that shareholder value is best created through the successful execution of growth strategies at Main Event
- Alongside this growth investment, our Theme park business requires meaningful capital to develop new attractions and other infrastructure and safety improvements, not only to support our recovery efforts but also to make progress towards becoming the preeminent Gold Coast entertainment precinct built around Dreamworld
- Given the concentration of the capital needs in the United States to fund our Main Event growth as well as our desire to have greater capital flexibility, it is our intention to establish a new credit facility in the US to more closely align with the domicile of the business prior to the expiry of our current \$169.4 million facility in August 2019
- Ardent Leisure Group is currently assessing the merits of the current stapled structure and whether an alternative structure may provide better strategic alignment with the Australian and US businesses. If a decision is made to implement the proposal, it would be brought to Ardent Leisure Group securityholders for their approval. Ardent Leisure Group will keep securityholders updated on any proposal

## ■ Main Event

- Anticipate one opening in late Q2 FY19
- Goal is to open 5-8 new centres a year, subject to quality real estate availability
- Margin expansion will be moderate in FY19 based on investments made to support profitable new centre growth and develop long-term traffic building strategies

## ■ Theme Parks

- Recovery is progressing, but timing and magnitude is uncertain particularly given ongoing Coronial hearings
- Focus is on restoring confidence with our guests at Dreamworld through developing world-class attractions and providing an exceptional guest experience in a safe environment
- Investments (capital and operating costs) will be required to drive our recovery efforts and re-establish the park as the preeminent theme park operator on the Gold Coast

## ■ Group / Corporate

- Ongoing annual costs (excluding restructuring and other non-recurring charges) anticipated to be in the range of \$9.0 million to \$10.0 million, assuming no significant changes to the structure or business strategy



## Appendices





# Reconciliation of Net Profit After Tax to “Core Earnings”



	Actual 26-Jun-18	Pro forma 30-Jun-18	Actual 30-Jun-17
<b>Net loss after tax</b>	<b>(90,690)</b>	<b>(88,579)</b>	<b>(62,557)</b>
<b>Add: Items treated as "non-core" in prior periods</b>			
Valuation loss - property, plant and equipment	75,421	75,421	88,747
Impairment of intangible assets including goodwill	4,771	4,771	783
Impairment of property, plant and equipment	39,287	39,287	145
Pre-opening expenses	6,471	6,471	13,888
Dreamworld incident costs	6,158	6,158	5,389
Restructuring and other non-recurring items	9,254	9,254	4,139
Early termination of interest rate swap	-	-	72
Gain on sale of discontinued operations	(24,987)	(24,987)	(45,009)
Selling costs associated with discontinued operation classified as held for sale	133	133	796
Unrealised gain/(loss) on derivative financial instruments	(881)	(881)	349
IFRS depreciation	6,693	6,693	9,102
Amortisation of health club brands and customer relationship intangible assets	-	-	907
Straight lining of fixed rent increases	519	519	1,328
Loss on closure of bowling centre	-	-	470
Increase in onerous lease provisions	350	350	492
Loss on sale and leaseback of family entertainment centre	706	706	-
	<b>123,895</b>	<b>123,895</b>	<b>81,598</b>
Income tax impact of items treated as non-core in prior periods	<b>(18,107)</b>	<b>(18,107)</b>	<b>(7,754)</b>
	<b>105,788</b>	<b>105,788</b>	<b>73,844</b>
Less: Restatement of deferred tax balances to reflect US tax reforms	<b>(12,230)</b>	<b>(12,230)</b>	<b>-</b>
<b>Core Earnings as defined in prior periods</b>	<b>2,868</b>	<b>4,979</b>	<b>11,287</b>



# Reconciliation of FY18 Pro Forma Segment EBITDA



1 <sup>st</sup> July 2017 to to 30th June 2018	Main Event	Theme Parks	Corporate	Continuing Operations	Bowling & Entertainment	Marinas	Health Clubs	Discontinued Operations	Total
<b>Segment EBITDA per FY18 segment note</b>	<b>15,108</b>	<b>(91,112)</b>	<b>(15,592)</b>	<b>(91,596)</b>	<b>36,153</b>	<b>5,175</b>	<b>(133)</b>	<b>41,195</b>	<b>(50,401)</b>
Add/(deduct):									
Valuation loss - property, plant and equipment		75,031	390	75,421				-	75,421
Impairment of intangible assets including Goodwill		3,583	1,188	4,771				-	4,771
Impairment of property, plant and equipment	38,287	1,000		39,287				-	39,287
Pre-opening expenses	5,900			5,900	571			571	6,471
Dreamworld incident costs		6,158		6,158				-	6,158
Restructuring and other non-recurring items	7,405		1,849	9,254				-	9,254
Gain on sale of discontinued operations				-	(20,319)	(4,668)		(24,987)	(24,987)
Selling costs associated with discontinued operation				-			133	133	133
Unrealised gain on derivative financial instruments			(881)	(881)				-	(881)
Straight lining of fixed rent increases	692			692	(173)			(173)	519
Increase in onerous lease provisions				-	350			350	350
Loss on disposal of assets	654	493	66	1,213	892	29		921	2,134
Foreign exchange (gain)/loss			(143)	(143)	16			16	(127)
<b>"Segment EBITDA" using FY17 definition</b>	<b>68,046</b>	<b>(4,847)</b>	<b>(13,123)</b>	<b>50,076</b>	<b>17,490</b>	<b>536</b>	<b>-</b>	<b>18,026</b>	<b>68,102</b>

# Reconciliation of FY17 Segment EBITDA



1 <sup>st</sup> July 2016 to to 30th June 2017	Main Event	Theme Parks	Corporate	Continuing Operations	Bowling & Entertainment	Marinas	Health Clubs	Discontinued Operations	Total
<b>Segment EBITDA per FY18 segment note</b>	<b>45,812</b>	<b>(98,432)</b>	<b>(19,175)</b>	<b>(71,795)</b>	<b>10,730</b>	<b>8,979</b>	<b>53,260</b>	<b>72,969</b>	<b>1,174</b>
Add/(deduct):									
Valuation loss - property, plant and equipment		88,747		88,747				-	88,747
Impairment of goodwill		783		783				-	783
Impairment of property, plant and equipment				-	255		(110)	145	145
Pre-opening expenses	12,646			12,646	1,242			1,242	13,888
Dreamworld incident costs		5,389		5,389				-	5,389
Restructuring and other non-recurring items	1,400		2,739	4,139				-	4,139
Gain on sale of discontinued operations				-			(45,009)	(45,009)	(45,009)
Selling costs associated with discontinued operation			(309)	(309)		796	309	1,105	796
Early termination of interest rate swap			72	72				-	72
Unrealised loss on derivative financial instruments			349	349				-	349
Straight lining of fixed rent increases	821			821	59		448	507	1,328
Loss on closure of bowling centre				-	470			470	470
Increase in onerous lease provisions				-	219		273	492	492
Loss on disposal of assets	362	105	(17)	450	2,232	45	601	2,878	3,328
Foreign exchange (gain)/loss			3	3	(3)			(3)	-
<b>"Segment EBITDA" per FY17 segment note</b>	<b>61,041</b>	<b>(3,408)</b>	<b>(16,338)</b>	<b>41,295</b>	<b>15,204</b>	<b>9,820</b>	<b>9,772</b>	<b>34,796</b>	<b>76,091</b>

# Specific Items by Business Unit – FY18



	Consolidated					
A\$m	Main Event	Theme Parks	Corporate	Continuing Operations	Discontinued Operations	Total
Specific items impacting EBITDA:						
Valuation loss - property, plant and equipment and investments held at fair value		(75.0)	(0.4)	(75.4)		(75.4)
Impairment of intangible assets including goodwill		(3.6)	(1.2)	(4.8)		(4.8)
Impairment of property, plant and equipment	(38.3)	(1.0)		(39.3)		(39.3)
Dreamworld incident costs, net of insurance recoveries		(6.2)		(6.2)		(6.2)
Pre-opening expenses	(5.9)			(5.9)	(0.6)	(6.5)
Restructuring and other non-recurring items	(7.4)		(1.8)	(9.2)		(9.2)
Gain on sale of discontinued operations					25.0	25.0
Selling costs associated with discontinued operation					(0.1)	(0.1)
Loss on disposal of assets	(0.6)	(0.5)	(0.1)	(1.2)	(0.9)	(2.1)
Total	(52.2)	(86.3)	(3.5)	(142.0)	23.4	(118.6)
Specific items impacting tax benefit:						
Revaluation of US deferred tax balances	12.2			12.2		12.2
Tax impact of specific items above	14.6	1.9	1.1	17.6	0.5	18.1
Total	26.8	1.9	1.1	29.8	0.5	30.3

# Specific Items by Business Unit – FY17



	Consolidated					
A\$m	Main Event	Theme Parks	Corporate	Continuing Operations	Discontinued Operations	Total
Specific items impacting EBITDA:						
Valuation loss - property, plant and equipment and investments held at fair value		(88.7)		(88.7)		(88.7)
Impairment of intangible assets including goodwill		(0.8)		(0.8)		(0.8)
Impairment of property, plant and equipment					(0.2)	(0.2)
Dreamworld incident costs, net of insurance recoveries		(5.4)		(5.4)		(5.4)
Pre-opening expenses	(12.6)			(12.6)	(1.2)	(13.8)
Restructuring and other non-recurring items	(1.4)		(2.8)	(4.2)		(4.2)
Gain on sale of discontinued operations					45.0	45.0
Selling costs associated with discontinued operation					(0.8)	(0.8)
Loss on disposal of assets	(0.4)	(0.1)		(0.5)	(3.3)	(3.8)
Total	(14.4)	(95.0)	(2.8)	(112.2)	39.5	(72.7)
Specific items impacting tax benefit:						
Tax impact of specific items above	4.9	1.5	0.7	7.1	0.4	7.5
Total	4.9	1.5	0.7	7.1	0.4	7.5



# Capital Expenditure and Pre-Opening Expenses



FY18

(A\$m)	Routine & Remodel Capex	Other Special Project Capex	Development Capex	Pre- Opening Expenses
Continuing operations:				
US Entertainment Centres (Main Event)	7.2	17.4	59.4	5.9
Theme Parks	8.0	-	4.8	
Corporate	1.1	-		
	<b>16.3</b>	<b>17.4</b>	<b>64.2</b>	<b>5.9</b>
Discontinued operations:				
Bowling and Entertainment	8.0	-	11.5	0.6
Marinas	(0.3)	-		
	<b>7.7</b>	<b>-</b>	<b>11.5</b>	<b>0.6</b>
<b>Total</b>	<b>24.0</b>	<b>17.4</b>	<b>75.7</b>	<b>6.5</b>



## Defined Terms



# Defined Terms



Defined Terms	Description
<b>Bowling &amp; Entertainment</b>	Comprised of AMF, Kingpin and Playtime
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortisation
<b>EBRITDA</b>	Earnings before Property Costs, Interest, Tax, Depreciation and Amortisation
<b>EBIT</b>	Earnings before Interest and Tax
<b>Free Cash Flow or FCF</b>	Free cash flow calculated as EBITDA less capital expenditure
<b>Main Event constant centres</b>	Centres that have been open for at least 18 months at the beginning of the current financial year  Constant centres comprised of Lewisville (TX), Grapevine (TX), Plano (TX), Ft Worth South (TX), Shenandoah (TX), Austin (TX), Lubbock (TX), Frisco (TX), San Antonio North (TX), Katy (TX), Stafford (TX), Tempe (AZ), Alpharetta (GA), Pharr (TX), San Antonio West (TX), Warrenville (IL), Atlanta (GA), Oklahoma City (OK), Tulsa (OK), Independence (MO) and Memphis (TN)
<b>Main Event non-constant centres</b>	Non-constant centres comprised of Webster (TX), Avondale (AZ), Ft Worth North (TX), Louisville (KY), West Chester (OH), Albuquerque (NM), Hoffman Estate (IL), Olathe (KS), Orlando (FL), Suwanee (GA), Jacksonville (FL), Indianapolis (IN), Pittsburgh (PA), Humble (TX), KC North (MO), Gilbert (AZ), Knoxville (TN), Wilmington (DE), Columbia (MD) and Avon (OH)
<b>PCP</b>	Prior corresponding period
<b>Pre-opening costs</b>	Costs that are expensed as incurred prior to a centre opening for business
<b>ROI</b>	Return on investment
<b>Theme Parks</b>	Comprised of Dreamworld, WhiteWaterWorld and SkyPoint