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ASX RELEASE

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ARDENT LEISURE REPORTS 31 DECEMBER 2019 HALF YEAR RESULTS

- **1H20 statutory results were impacted by a change in lease accounting standard (AASB 16 *Leases*) and an extra week of trading with FY20 being a 53 week year**
- **Revenue increased by \$36.6 million on prior period (\$20.5 million on like-for-like 26 weeks basis)**
- **EBITDA excluding Specific Items¹ grew \$11.1 million on prior period (up \$5.3 million on like-for-like 26 weeks basis)**
- **Net loss of \$22.5 million in 1H20 was slightly above net loss of \$21.8 million in 1H19 mainly due to increased EBITDA being offset by higher costs being recognised under the new lease accounting standard as well as higher borrowing costs following the completion of refinancing in April 2019. On a pro forma basis², net loss was \$19.8 million**
- **Main Event revenue increased US\$14.9 million on prior period (US\$5.5 million on like-for-like 26 weeks basis) driven by constant centre growth of 1.0% on a like-for-like basis and contribution from two new centres opened in FY19 and 1H20**
- **Theme Parks revenue increased \$4.3 million on prior period (\$1.7 million on like-for-like 26 weeks basis). Whilst EBITDA excluding Specific Items¹ was a loss of \$1.7 million (\$2.9 million loss on a like-for-like basis), this has improved compared to a corresponding EBITDA loss of \$5.1 million in the prior period**
- **No interim dividend for 1H20, in line with Board's intention to continue to invest in Theme Parks and Main Event to drive recovery and growth for both businesses**
- **The Board has appointed Goldman Sachs to explore partnership arrangements with parties that could support and accelerate Main Event growth trajectory**

Ardent Leisure Group Limited (**Ardent**) (ASX: ALG) today announced its 1H20 results for the period from 26 June 2019 to 31 December 2019 (comprising 27 weeks). 1H19 results represent the period from 27 June 2018 to 25 December 2018 (comprising 26 weeks).

The current period was impacted by the adoption of the new lease accounting standard, AASB 16 *Leases*. This has affected comparability of the half year results due to a significant part of the associated expenses now being reported below EBITDA as "amortisation of lease assets" and "lease interest expense" as well as higher costs now being recognised under the new standard. There is however no impact on Group cash flow compared to prior period. Consequently, the Group has also presented "pro forma" results which exclude the impact of the change in lease accounting standard and the extra week of trading in the current period for like-for-like comparison with prior period.

1. Refer to Appendix for details of Specific Items
2. Pro forma results adjust for the impact of change in lease accounting standard and an extra week of trading in the current period to enable like-for-like comparison with prior period

Reported vs Pro forma results

The table below shows the adjustments made in determining the pro forma 1H20 results, which include adjusting for the impact of the new lease accounting standard and the extra week of trading in the current period.

A\$ million	Reported 1H20 (27 weeks)	AASB 16 <i>Leases</i> adjustment	Impact of week 27 results	Pro forma 1H20 (26 weeks)
Revenue	263.2	-	(16.0)	247.2
EBITDA	44.2	(23.5)	(5.8)	14.9
EBIT	(1.2)	(9.9)	(4.9)	(16.0)
Net loss after tax	(22.5)	6.0	(3.3)	(19.8)

Summary financial information for half year results

A\$ million	Reported 1H20 (27 weeks)	Pro forma 1H20 (26 weeks)	Reported 1H19 (26 weeks)	Var % (26 weeks)
Revenue	263.2	247.2	226.7	9.0%
EBITDA	44.2	14.9	0.2	8470.1%
<i>EBITDA margin</i>	<i>16.8%</i>	<i>6.0%</i>	<i>0.1%</i>	
EBITDA excluding Specific Items	24.8	19.0	13.7	39.0%
EBIT	(1.2)	(16.0)	(23.7)	32.9%
Net loss after tax	(22.5)	(19.8)	(21.8)	9.3%

Total reported revenue of \$263.2 million for the Group increased by \$36.6 million (\$20.5 million on a pro forma basis) and total reported EBITDA of \$44.2 million increased by \$44.0 million (\$14.7 million on a pro forma basis) compared to the prior period, driven by growth in both Main Event and Theme Parks businesses.

In addition, the Group reported a \$5.0 million reduction in Dreamworld incident costs (net of insurance recoveries), a \$7.2 million reduction in restructuring and other non-recurring items as well as a \$5.3 million reduction in corporate costs, reflecting the benefit of previous restructuring initiatives. The current period was also impacted by a net valuation gain on assets of \$0.2 million, comprising a \$1.7 million reversal of impairment of property, plant and equipment relating to a previously impaired Main Event centre and a valuation gain of \$0.4 million relating to an investment held at fair value, offset by a valuation loss of \$1.9 million relating to a decommissioned ride classified as held for sale in Dreamworld.

Both the reported and pro forma EBITDA include the impact of a number of Specific Items as mentioned above and disclosed in the Appendix. The reported and pro forma EBITDA excluding Specific Items were \$24.8 million and \$19.0 million for the current period respectively, compared to \$13.7 million reported in the prior period.

The Group recorded a net loss after tax of \$22.5 million for the period (\$19.8 million on a pro forma basis) compared to a net loss of \$21.8 million in the prior period. This is mainly due to the increase in EBITDA being offset by \$7.6 million incremental costs being recognised under the new lease accounting standard as well as a \$10.4 million increase in borrowing costs following the completion of refinancing in April 2020.

Given the reinvestment of earnings and available capital into the business to drive growth at Main Event and support the recovery efforts at Dreamworld through the development of new attractions, the Board has not declared an interim dividend for 1H20. Future dividend payments will be dependent on the financial position and capital requirements of the Group, based on the discretion of the Board.

Main Event

The results for Main Event, the Group's US based leisure and entertainment business, are presented below in US\$ million.

US\$ million	Reported 1H20 (27 weeks)	Pro forma 1H20 (26 weeks)	Reported 1H19 (26 weeks)	Var % (26 weeks)
Revenue	154.0	144.6	139.1	4.0%
EBITDA	36.1	16.8	16.0	5.2%
<i>EBITDA margin</i>	<i>23.4%</i>	<i>11.6%</i>	<i>11.5%</i>	
EBITDA excluding Specific Items	21.2	17.9	17.5	2.5%

Main Event achieved revenue growth of 4.0% to US\$144.6 million in 1H20 on a like-for-like 26 weeks basis, reflecting growth in constant centres and the full period impact of centres opened in FY19 and 1H20. In Australian dollar terms, Main Event revenue increased by 9.7% on a like-for-like 26 weeks basis, reflecting the movement in foreign exchange rates.

Constant centre revenues increased by 1.0% on a like-for-like basis compared to the prior period, driven primarily by stronger promotional campaigns and an increase in event business.

One new centre opened in a new market Baton Rouge, Louisiana in August 2019. Two more new centres were subsequently opened in the first few weeks of 2H20. In addition, Main Event successfully exited the under performing Pittsburgh centre in January 2020. Including the closure of the Pittsburgh location, this brings the total number of centres to 44 locations across 17 states.

The division recorded an EBITDA result of US\$36.1 million for the period. On a pro forma basis, EBITDA of US\$16.8 million was 5.2% up on the prior period's EBITDA of US\$16.0 million. Excluding Specific Items which include pre-opening expenses, restructuring costs, lease termination costs and gain on disposal of assets, EBITDA on a pro forma basis improved US\$0.4 million or 2.5% compared to the prior period.

Main Event segment results were impacted by the following Specific Items:

US\$ million	Reported 1H20	Reported 1H19
Valuation gain - reversal of impairment loss	1.2	-
Pre-opening expenses	(1.1)	(1.1)
Restructuring and other non-recurring items	(0.4)	(1.9)
Gain/(loss) on disposal of assets	-	1.5
Early termination of lease	(0.8)	-
Reduction in rent due to adoption of new lease accounting standard, AASB 16 Leases	16.0	-
Incremental lease asset amortisation and lease interest expense on adoption of AASB 16 Leases	(21.2)	-
Tax impact of Specific Items above	1.3	0.3
Total	(5.0)	(1.2)

Theme Parks

The results for the Group's Theme Parks business, comprising Dreamworld, WhiteWater World and SkyPoint are presented below:

A\$ million	Reported 1H20 (27 weeks)	Pro forma 1H20 (26 weeks)	Reported 1H19 (26 weeks)	Var % (26 weeks)
Revenue	38.7	36.1	34.4	4.9%
EBITDA	(4.2)	(5.4)	(12.4)	55.6%
<i>EBITDA margin</i>	<i>(11.0%)</i>	<i>(15.3%)</i>	<i>(36.0%)</i>	
EBITDA excluding Specific Items	(1.7)	(2.9)	(5.1)	44.0%

The Theme Parks business reported revenue of \$38.7 million for the period ended 31 December 2019, compared to \$34.4 million reported in the prior period. On a pro forma basis, revenue for the division grew \$1.7 million to \$36.1 million representing 4.9% growth on the prior period.

The increase in revenue was driven by a 2.9% uplift in attendance on a like-for-like 26 weeks basis as well as an increase in average per-capita spend.

Sky Voyager opened on 23 August 2019 and is currently the most popular attraction at Dreamworld. The transformation of WhiteWater World was also substantially completed prior to Christmas. The positive trends that are evident from 1H20 trading demonstrate that the turnaround plan previously communicated to shareholders is gaining momentum and delivering improved results. Guest satisfaction is at all-time highs with the NPS for 1H20 exceeding the business benchmark by approximately 40%.

The division recorded an EBITDA loss of \$4.2 million (\$5.4 million EBITDA loss on a pro forma basis), compared to an EBITDA loss of \$12.4 million in the prior period. The improvement is largely driven by improved trading performance in the current period as well as the prior period being adversely impacted by higher Dreamworld incident costs due to coronial inquest hearings in June, October, November and December 2018.

Excluding the Specific Items, which include a valuation loss on a decommissioned ride, incident related expenses, non-recurring restructuring expenses and loss on disposal of assets, EBITDA on a pro forma basis improved \$2.2 million compared to prior period.

Theme Parks segment results were impacted by the following Specific Items:

A\$ million	Reported 1H20	Reported 1H19
Valuation loss – asset held for sale	(1.9)	-
Dreamworld incident costs, net of insurance recoveries	(0.3)	(5.3)
Restructuring and other non-recurring items	-	(1.9)
Loss on disposal of assets	(0.3)	(0.1)
Reduction in rent due to adoption of new lease accounting standard, AASB 16 Leases	-	-
Incremental lease asset amortisation and lease interest expense on adoption of AASB 16 Leases	(0.1)	-
Tax impact of Specific Items above	0.8	2.2
Total	(1.8)	(5.1)

Debt Facilities and Cash

The Group has US\$134.0 million (A\$191.3 million) of drawn debt as at 31 December 2019, with US\$90.0 million (A\$128.5 million) of undrawn capacity. In addition, the Group has A\$57.9 million cash balances as at 31 December 2019.

Outlook

Main Event

The business is raising its full year constant centre revenue growth guidance to 1.5% - 2.5% (previously 1.0% - 2.0%).

Four new centres for FY20 are expected to add approximately 85 operating weeks. Anticipate five new centres in FY21 and eight or more centres thereafter.

The Group believes that Main Event has strong prospects and would like to put the business in the best position possible to maximise the growth opportunities available in Main Event's core market.

The Board has appointed Goldman Sachs to explore potential partnership arrangements with parties that could support and accelerate Main Event's growth trajectory. There is no certainty that any discussions in relation to Main Event will result in a transaction.

In addition to a potential partnership transaction in relation to Main Event, the Group continues to monitor its capital requirements taking into account existing balance sheet capacity, growth objectives and new opportunities as they arise.

Theme Parks

Trading during the Christmas holiday was the strongest it has been for many years. However, a prolonged period of severe wet weather, the Coronavirus, and potential impact on attendances from the Coroner's Report means that it is unlikely that Dreamworld will break even in 2H20. Management believe these challenges are temporary and remain focussed on successfully executing planned investments and initiatives.

Planning is well advanced on projects such as the new multi launch roller coaster, ticketing and digital marketing system, the refurbishment of the ABC Kids and Wiggles precincts (including a new ride), Future Lab, the site Master Plan and the development of a pipeline of new rides and attractions for installation over the next three to five years.

Theme Parks are part of an industry that is showing strong growth in similar markets around the world. The turnaround plan is working as shown by the improved performance in 1H20. Management believes that the planned investments along with a continued focus on operational excellence will unlock pent up demand for high quality out of home experiences consistent with the worldwide growth in this category.

Management and the Board acknowledge that the Coroner's Report concerning the Dreamworld incident is expected to be released on 24 February 2020 and reiterate the Group's commitment to implementing the Coroner's recommendations in consultation with Workplace Health and Safety Queensland and the theme park industry.

Appendix – Specific Items

1H20 A\$ million	Main Event	Theme Parks	Corporate	Disposed Businesses	Total
Segment EBITDA has been impacted by the following Specific Items					
Valuation gain/(loss) on assets	1.7	(1.9)	0.4	-	0.2
Pre-opening expenses	(1.7)	-	-	-	(1.7)
Dreamworld incident costs, net of insurance recoveries	-	(0.3)	-	-	(0.3)
Restructuring and other non-recurring items	(0.6)	-	(0.3)	-	(0.9)
Loss on disposal of assets	-	(0.3)	-	-	(0.3)
Early termination of Main Event lease	(1.1)	-	-	-	(1.1)
Reduction in rent due to adoption of new lease accounting standard, AASB 16 <i>Leases</i>	23.4	-	0.1	-	23.5
Total	21.7	(2.5)	0.2	-	19.4
Net loss after tax has also been impacted by the following Specific Items:					
Incremental lease asset amortisation and lease interest expense on adoption of AASB 16 <i>Leases</i>	(30.9)	(0.1)	(0.1)	-	(31.1)
Tax impact of Specific Items above	1.9	0.8	(0.0)	-	2.7
Total	(29.0)	0.7	(0.1)	-	(28.4)

1H19 A\$ million	Main Event	Theme Parks	Corporate	Disposed Businesses	Total
Segment EBITDA has been impacted by the following Specific Items					
Pre-opening expenses	(1.5)	-	-	-	(1.5)
Dreamworld incident costs, net of insurance recoveries	-	(5.3)	-	-	(5.3)
Restructuring and other non-recurring items	(2.6)	(1.9)	(3.5)	-	(8.0)
Selling costs associated with discontinued operations	-	-	-	(0.3)	(0.3)
Gain/(loss) on disposal of assets	2.0	(0.1)	(0.3)	-	1.6
Total	(2.1)	(7.3)	(3.8)	(0.3)	(13.5)
Net loss after tax has also been impacted by the following Specific Items:					
Tax impact of destapling and corporatisation	-	-	5.4	-	5.4
Current period tax losses not recognised as a deferred tax asset	-	-	(7.6)	-	(7.6)
Tax impact of Specific Items listed above	0.4	2.2	1.2	-	3.8
Total	0.4	2.2	(1.0)	-	1.6