New Brands Analyst Event

5th June 2018

Who’s here?

- **Mark Fisher – Chief Development Officer**
  - Been with Merlin for 23 years
  - Member of the Executive Committee
  - Part of the original MBO team
  - Managing Director since 2002
  - Chief Development Office for Merlin Magic Making since 2011

- **Alistair Windybank – Senior Finance Director**
  - Been with Merlin for 10 years
  - Head of Corporate Finance 2010
  - Investor Relations Director 2013 following Merlin’s IPO
  - Moved to MMM in November 2016 as Senior Finance Director

- **Paul Moreton – Group Creative Director**
  - Paul joined Merlin in 2012 as Group Creative Director
  - 6+ years leading the Creative, R & D & IP division at Merlin Entertainments
  - 9 years in various Leadership roles in Media
  - 12 years Marketing roles for The Tussauds Group

- **Mike Vallis – Divisional Director New Brands**
  - Mike joined The Tussauds Group in 1991
  - Has held numerous operational roles
  - 13+ years as Divisional Director in Merlin Theme Parks
  - Appointed in current role in November 2016 – to Develop and roll out New Brands

Aims of today

We want to leave you with a better of understanding of:

- Merlin Magic Making as a unique, in-house resource, and source of competitive advantage; and
- Our three new brands: the strength of the IPs, the roll out potential, and the associated challenges…..

……. And a sneak preview of the Bear Grylls Adventure!

Agenda

- 10:15 – Intro & Merlin Magic Making
- 10:45 – The New Brands
  - Peppa Pig World of Play
  - Little BIG City
  - Bear Grylls Adventures
- 11:30 – Roll out Potential
- 12:00 – Summary and Q & A
- 12:30 – Buffet lunch
- 13:00 – Tour of Bear Grylls Adventure

MERLIN
MAGIC
MAKING

AT THE

HEART OF

EVERYTHING

WE DO

AMAZING!

UNIQUE

TRAILBLAZING

MERLIN MAGIC MAKING

What we do...


Business Development
NBD Acquisitions
NEW
Brand Creation
Engineering
Wax, LEGO Theming
Content Production
Animal Husbandry
Project Construction
Attractions
IP
Shows
Creative
Product Innovation
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MERLIN MAGIC MAKING
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FINDING THE MAGIC

MERLIN MAGIC MAKING
FINDING THE MAGIC

- **Research,** Research, Research
- Lease **negotiation** and Site Acquiring
- **Financial** / Tax / Legal / HR due-diligence
- Board approval **champions**
- **Acquisitions**

MERLIN MAGIC MAKING

MERLIN MAGIC MAKING

CREATING THE MAGIC

New Product **Development**

New attraction roll out

New Midway Brand

IP development & exploitation

THE 'SPARKLE'

MERLIN ENTERTAINMENTS

DEVELOP GLOBAL AND LOCAL IP PARTNERSHIPS FOR USE ACROSS THE PORTFOLIO

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MERLIN MAGIC MAKING

PRODUCING THE MAGIC

WAX Figures

LEGO MODELS

4 Model Shops around the world

4 model shops around the world

Standardise processes & quality world wide

Focus on Minilands for LLPs & LDCs

Animation best practice & reliability


LEGO
LEGO
MERLIN
MAGIC
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Interactive Build Table

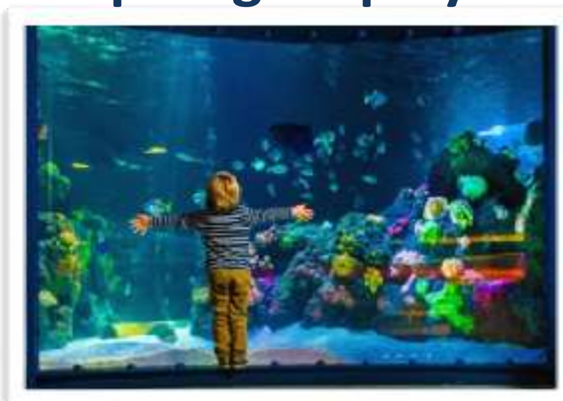
MAWD

Global Expertise

Training

Project Development – New Openings

Inspiring Displays



Research & Development

Giant Magnifying Glass

Standards

Breeding

Theming

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MERLIN MAGIC MAKING

DELIVERING THE MAGIC

Video to be played in the room

Project Delivery

57 Major Projects

25 Countries

c. £400m capital investment

Engineering

Engineering Objectives

- Engineering standards, practices and processes
- Sector-leading safe, compliant and optimised asset performance
- Guest Experience

Funky Stuff 2018

Video to be played in the room

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New Brands

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Why New Brands?

Families

LEGOLAND · SEA LIFE · Alton Towers Resort
Gardaland Resort · Shrek's Adventure! · LEGOLAND Discovery Centre
Chessington World of Adventures Resort · Warwick Castle · Heide Park Resort

City centre tourists

Madame Tussauds · Merlin Entertainments The Eye Brand
The Dungeons · SEA LIFE

Teenagers & Young adults

Thorpe Park · The Dungeons · Alton Towers Resort
Heide Park Resort · Gardaland Resort

Clustering

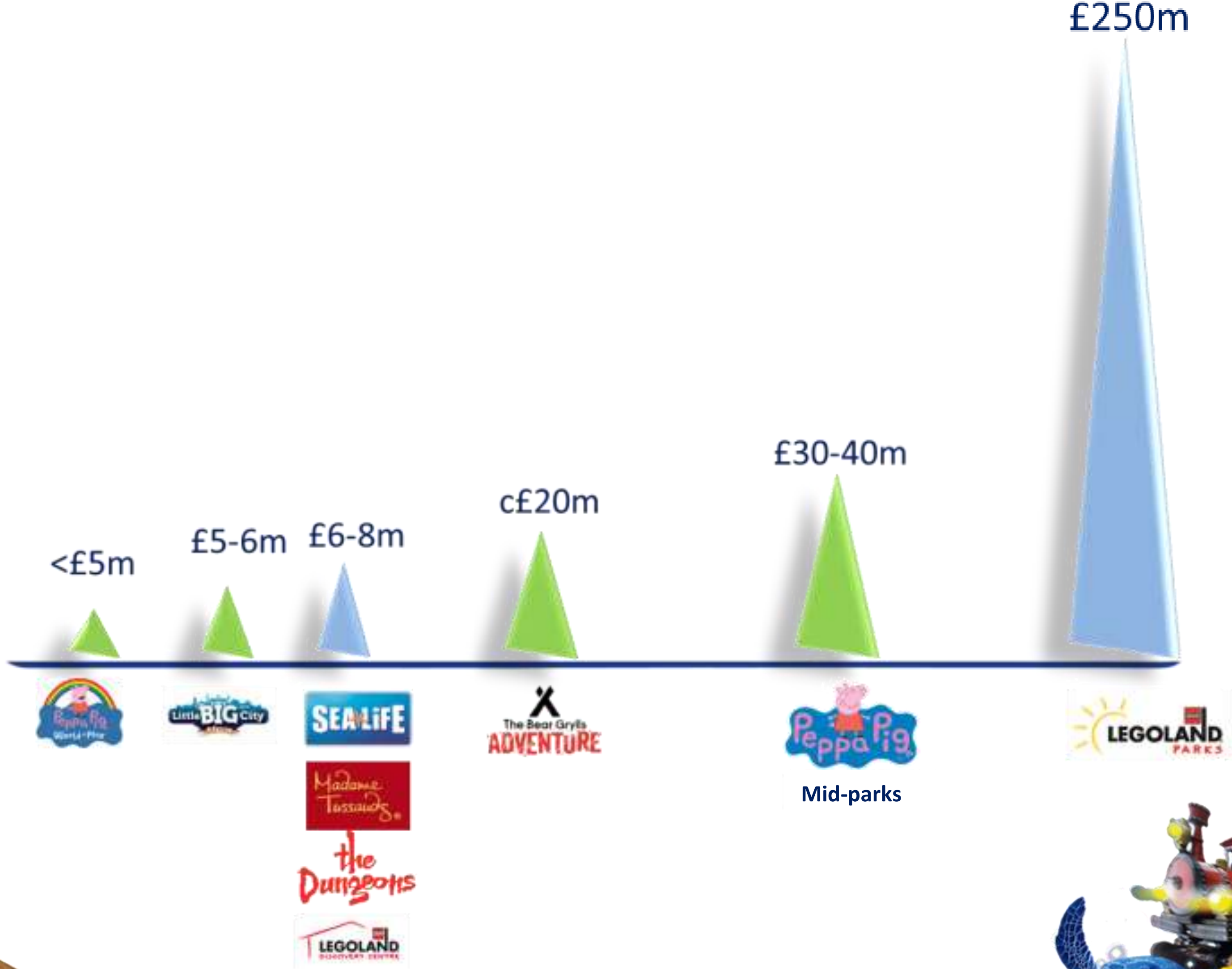
Little BIG City

Pre-school families

Adventure/ experience seekers

The Bear Grylls Adventure

Merlin's Portfolio



FINDING THE MAGIC

'THE SCIENCE'

Research

Desk Top

Qualitative

Quantitative

How do we choose 'New Brands'

	LBC	PPWOP	BGA
Global Sector Review	• Model based attraction success /performance • Location/Tourism • Global	• Large preschool play sector market • Unbranded • Content/frequency play ideas • Eur/NAM/China	• Activity based attraction growth • Location, content, performance • Focus UK/USA
Brand/IP selection	N/A	• Kidzglobal preschool IP strength (EUR/NAM/China)	• High profile activity led IP (UK/USA)
Concept Creation	• In-house	• Family co-creation	• BGA co-creation

Research

Qualitative – focus groups – Attitudes and behaviours, concept appeal, identify core target consumers

Quantitative – statistical – concept appeal, price sensitivity behavious

Brand / Attraction Development

LEGOLAND PARKS 2005

Four Theme Parks

LEGOLAND RESORTS 2018

Eight resorts and 21 LEGOLAND Discovery Centres

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New Brands

Peppa Pig World of Play

Little BIG City

Peppa Pig

Peppa Pig World of Play

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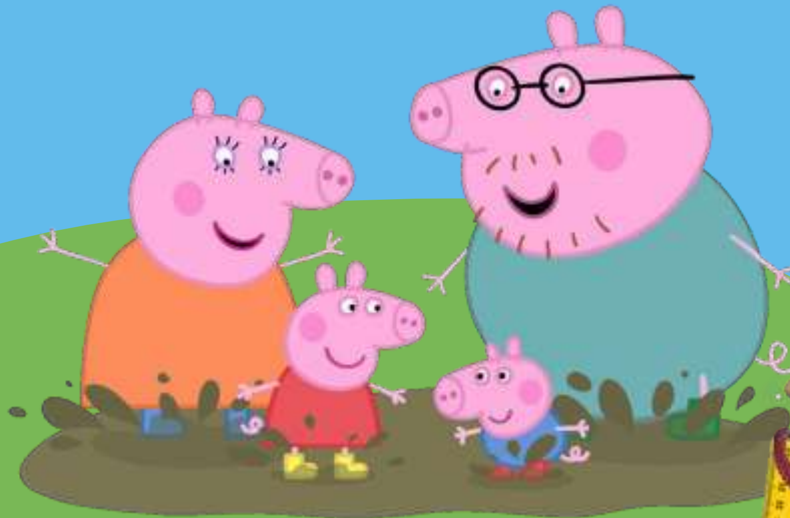
Peppa Pig

Peppa Pig is a hugely successful, critically acclaimed pre-school animated series for girls and boys.

Peppa is a loveable, cheeky little piggy who lives with her younger brother George, Mummy Pig and Daddy Pig. Peppa Pig episodes feature situations that are very familiar to small children. Peppa’s favourite things include playing games, dressing up, days out and jumping in muddy puddles. Peppa's adventures always end happily with loud snorts of laughter!

Peppa Pig is a co-production between the animation studio Astley Baker Davies and Entertainment One.

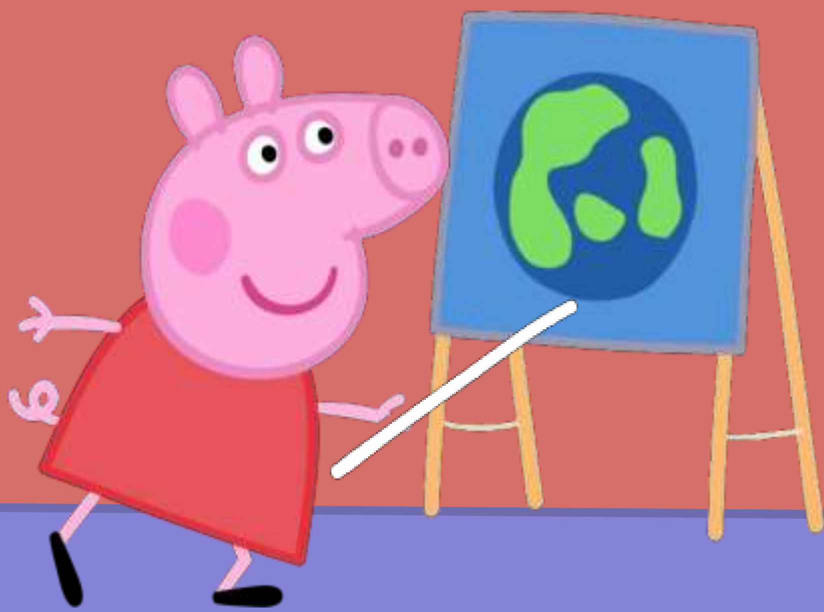


Peppa Summary

- Fits play centre landscape
- High awareness……and growing
- Proposition initially received well
- Detailed concept popular
- ITV* scores comparable to LDCs

* Intention to Visit

The international reach of Peppa Pig



Peppa Licensing Programme launched in over 60 territories with over 800 licensees

Broadcast in 180 territories in over 40 languages

£1+ Billion global retail sales per annum

A truly global pre-school brand

Global brand tracking ranks Peppa Pig as a TOP 10 pre-school brand in more than 70% global markets

That's everywhere from Argentina to Australia, Singapore to South Africa and China to Canada

Global Overview

Fast growing in multiple markets

1.6 million tickets sold to Peppa Pig Live shows globally

Over 33 million app downloads

+50 million toys sold worldwide

Brand values

Broad appeal

Family

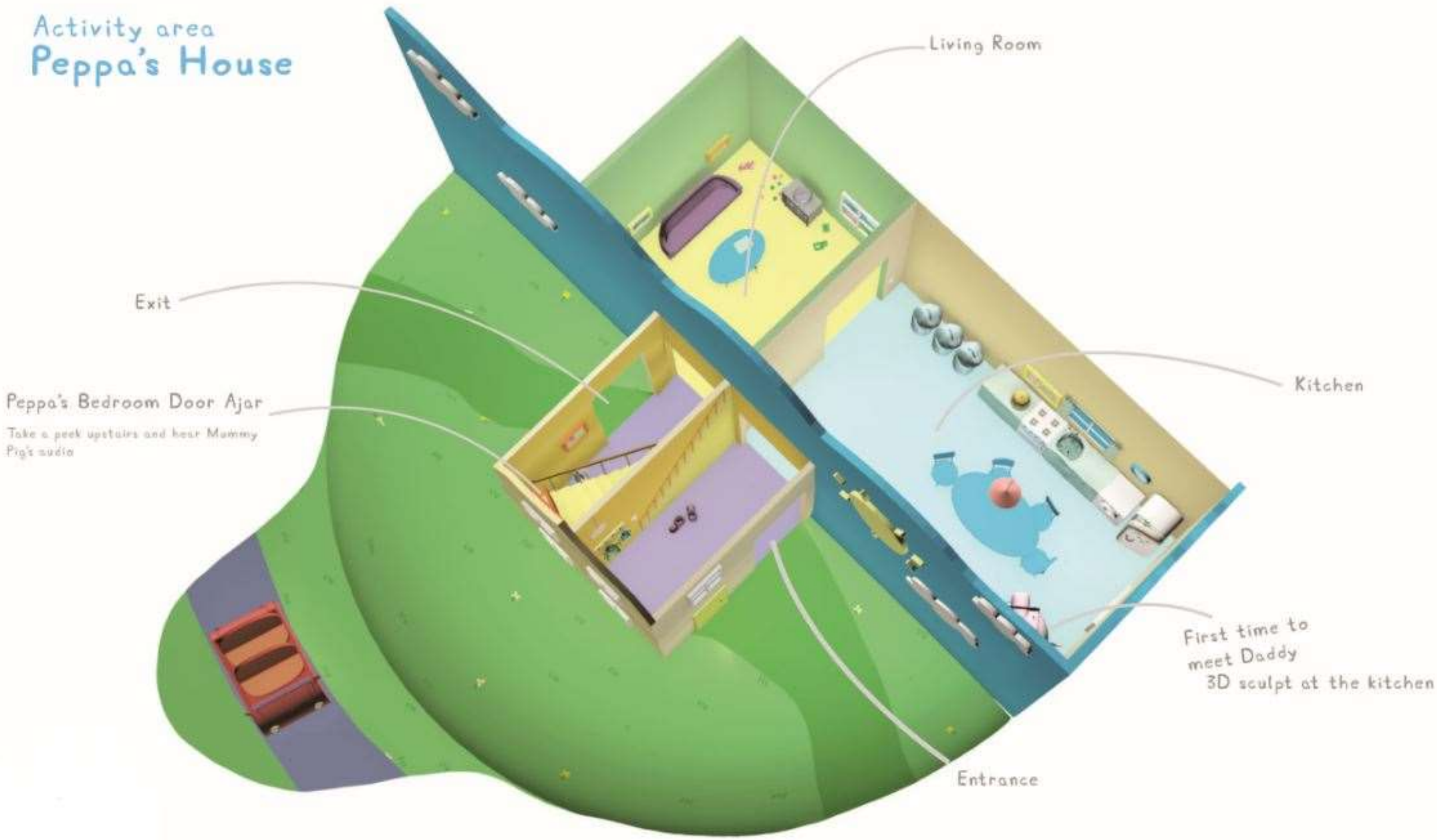
Fun & humorous

Trust

Life experiences

Friendship

Activity area
Peppa's House



Activity area

Peppa's Treehouse and George's Fort

Peppa Pig

Peppa Pig World of Play

Little BIG City

LBC Summary

- Model Village concept popularity
- History / story telling
- Tourist learning about city
- Interactivity / Immersion
- Cluster Strategy

Between being interested in the history and stories of a city and the success of model villages across the world, we identified a gap

HISTORY & STORIES

Merlin Entertainments The Eye Brand

the Dungeons

Little BIG City 大城小像·北京

Little BIG City BERLIN

MINIATURE

MINILAND EXPLORE THE WORLD

Miniatur Wunderland www.miniatur-wunderland.de

Bekonscot Model Village & Railway

madurodam

Ready for the best tour of all time?

Little BIG City BERLIN

Little BIG City 大城小像·北京

See the most iconic buildings of a city.
Be there for the epic moments that shaped its past.
Get up close to the characters and personalities.
Experience the incredible show that is Little Big City.


Little BIG City
BERLIN
Captivating special effects bring 750 years of Berlin to life
Take the greatest tour of all time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Video to be played in the room


Little BIG City
大城小像·北京
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Little BIG City
大城小像·北京
交互式微缩场景
沉浸式声光特效
一日穿越千年


Little BIG City
大城小像·北京
Level
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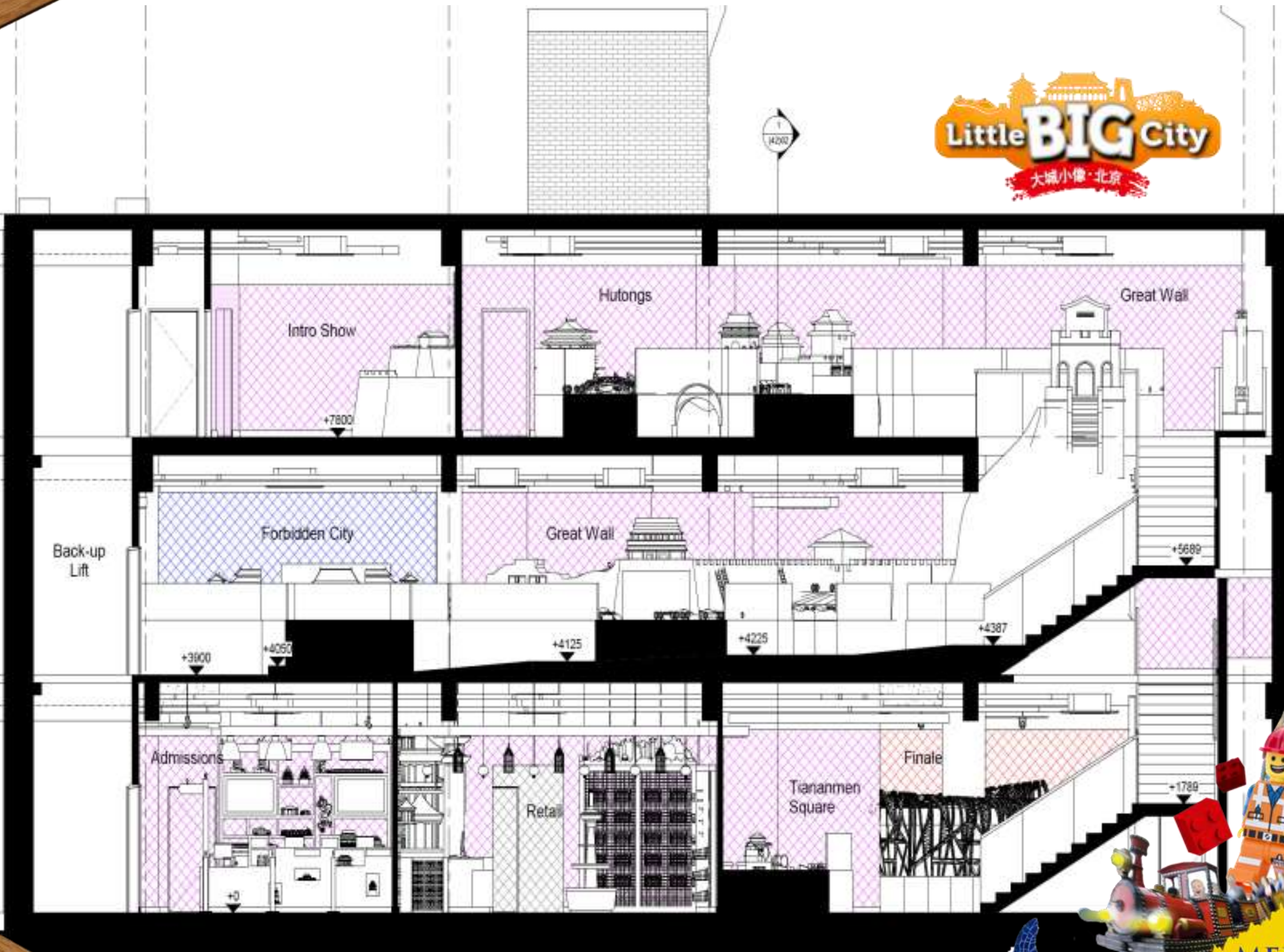
Video to be played in the room

Little BIG City
大城小像·北京



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Little BIG City
大城小像·北京

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Little BIG City
大城小像·北京
Visit the Hutongs
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Little BIG City
大城小像·北京
Attack the Great Wall
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See the Forbidden City come Alive

The home of earths greatest challenges

The Bear Grylls
ADVENTURE
Dive · Climb · High Ropes · iFLY

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Bear Grylls Summary

- Increase in Activity based attractions
- Credible Host
- Fun / Physical / Mental challenge
- Immersion with friends / family
- High awareness in target group

The Bear Grylls
ADVENTURE
Dive · Climb · High Ropes · iFLY

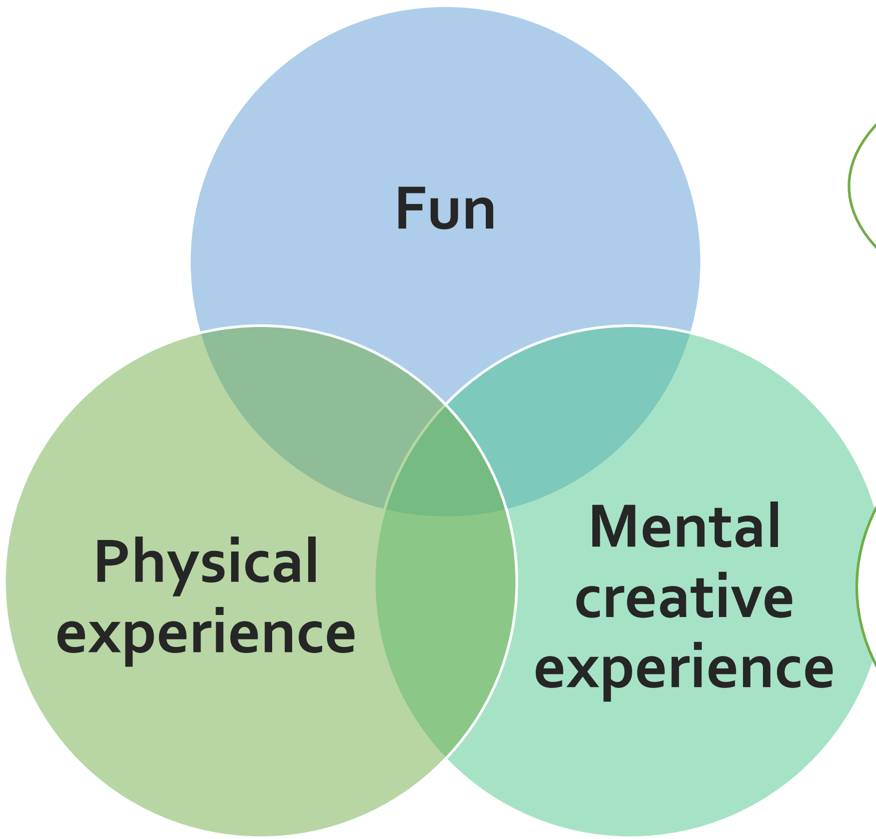
Leisure time demand for everyday adventure is increasing

- Sports equipment sales +39%
- Climbing clubs +30%
- British Mountaineering Council +18%

Source*: Getting Active Outdoors:* A study of Demography, Motivation, Participation and Provision in Outdoor Sport and Recreation in England – Sport England Jan 2017

Sport England – Active People Survey – Feb 2017 report

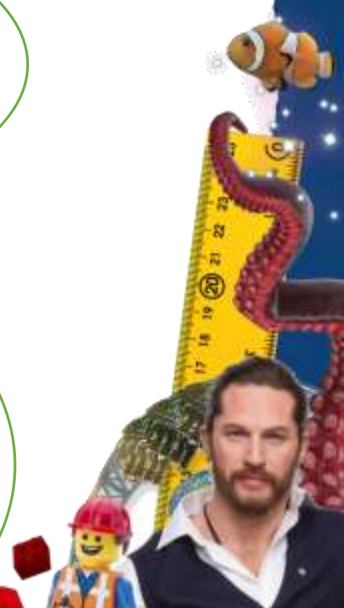
Our opportunity is to provide amazing added value experience



"The Future Consumer wants, service, expectation of choice, pursuit of value and desire for experience"

(Experian report)

"People growing desire for experiences bring with it a desire for self improvement. We want to do things that make us better people than rather just enjoying ourselves" ***The Future of leisure Time***



A Global IP POWERHOUSE

SAS TRAINED EVEREST PIONEER

GLOBAL ADVENTURE ICON

GLOBAL MEDIA EMPIRE
32 markets reaching 420million

ONE BILLION VIEWERS
watched Running Wild withObama

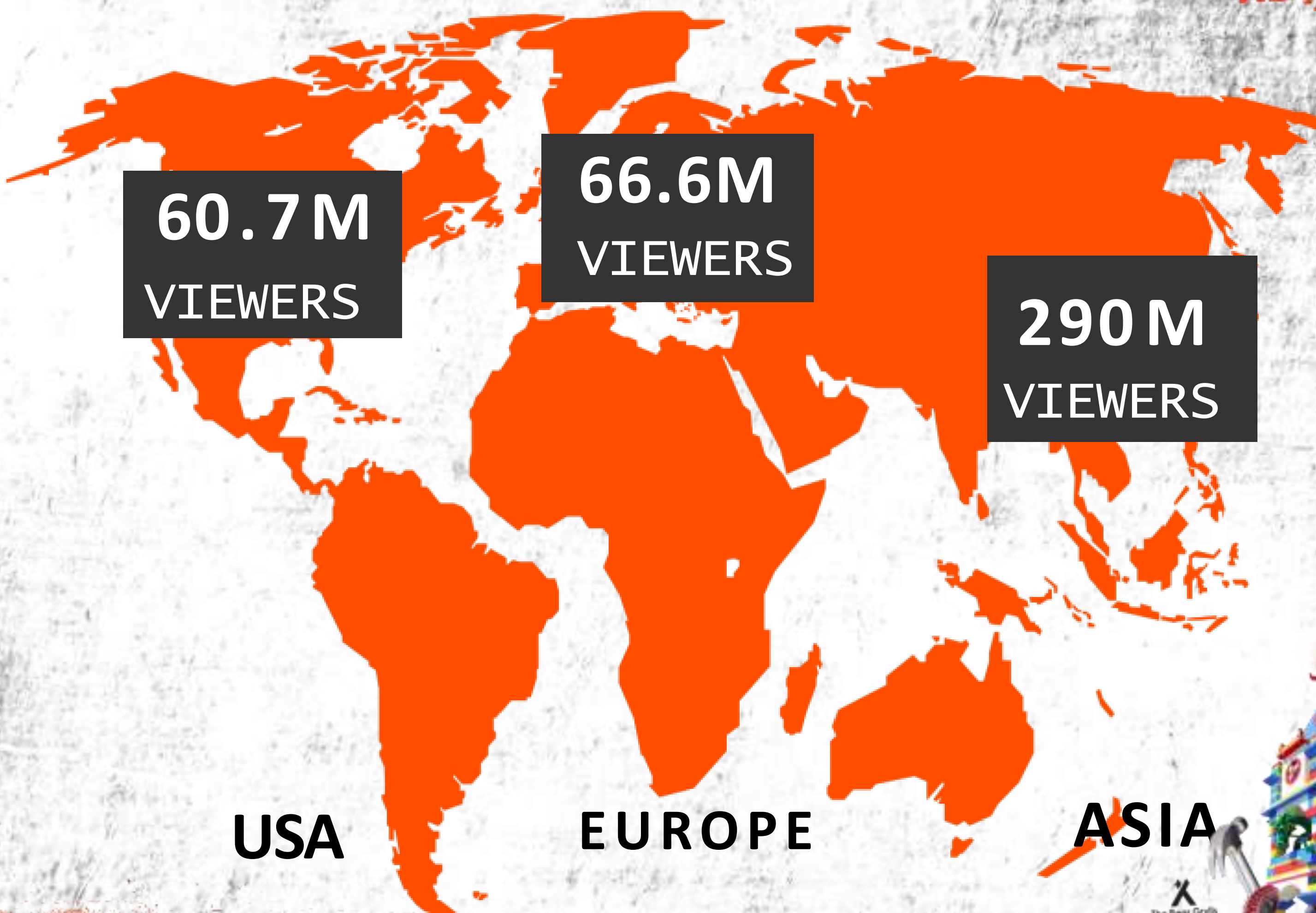
TESTED HIGHEST
appeal & awareness

7M (Facebook)
1.6M (Instagram)
1.4M (Twitter)

4.5M
books sold

Global TV Viewing

The Bear Grylls ADVENTURE



Video to be played in the room

Our offer

Challenges come in all shapes and sizes.

By testing focus and control, by learning a new skill or pushing stamina and drive with a new activity, adventurers will be able to test self-belief and physical and mental agility.

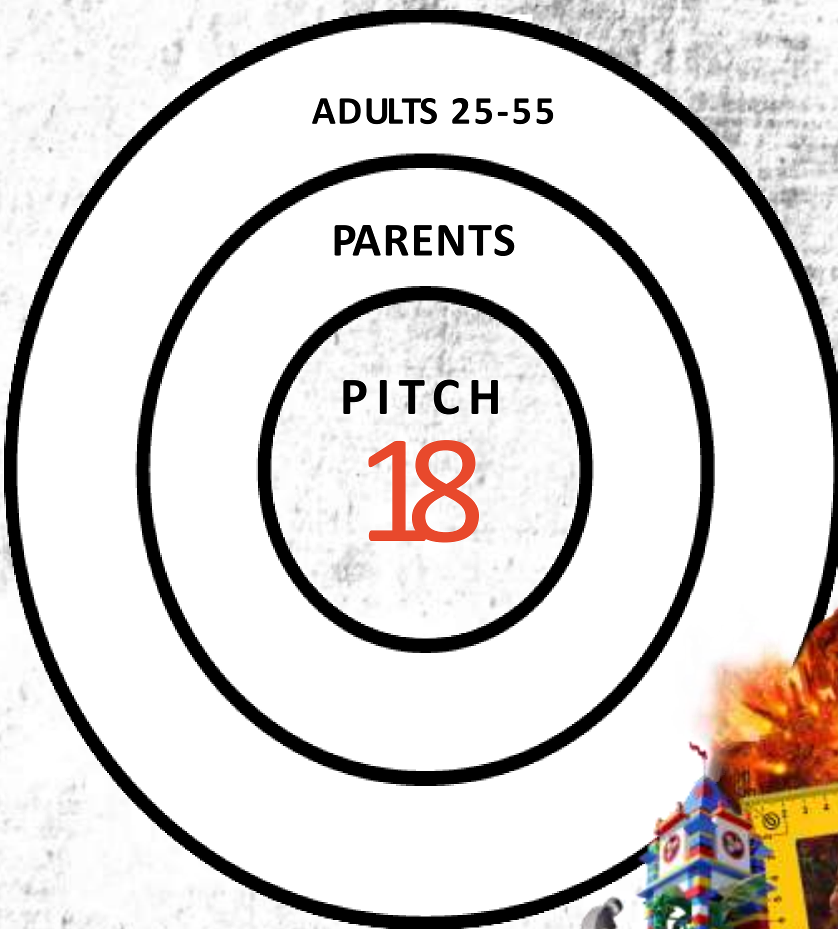
Attitudinal bullseye

YOUNG ADULT ADVENTURE SEEKERS

Adult credibility fuelled by 18-24 group

Seek adventure but don’t consider themselves extreme enthusiasts **(88% ADULTS)**

Really high appeal & intention to visit BGA for this group



Where?

nec THE UK'S #1 VENUE

BIRMINGHAM
A young city with
lots of universities

HIGH 16-24s INDEX

21.8M (33%)
UK population within
2-hour travel time catchment

IMAGINE

EPIC!

ALL OF THE MOST EXCITING, MOST EXHILARATING AND MOST INSPIRING

MENTAL & PHYSICAL CHALLENGES

BROUGHT TOGETHER IN ONE INCREDIBLE LOCATION

Video to be played on the day

The HOME of Earth's GREATEST challenges

WORLD'S FIRST ACTION PACKED
ADVENTURE EXPERIENCE

All guests enter

BASECAMP

£25 for 4
activities +
digital
photos

Learn the skills needed for great adventure in a selection of four group and individual challenges

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The Bear Grylls
ADVENTURE
03.1
ARCHERY
MERLIN MAGIC MAKING


"IF YOU RISK NOTHING YOU GAIN NOTHING"
The Bear Grylls
ADVENTURE
MERLIN MAGIC MAKING


The Bear Grylls
ADVENTURE
MERLIN
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WORLD'S FIRST ACTION PACKED
ADVENTURE EXPERIENCE

Visitors can then choose their greatest challenges from

FOUR INCREDIBLE HEADLINE ACTIVITIES:

Climb

Conquer The Summits

iFLY

Feel The Thrill Of Freefall

Indoor Skydiving

Dive

Take On The Deep

High Ropes

Brave Great Heights


The Bear Grylls
ADVENTURE


The Bear Grylls
ADVENTURE
SKYDIVERS ENTRANCE
The Bear Grylls
ADVENTURE
MERLIN
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MAKING


The Bear Grylls
ADVENTURE


The Bear Grylls
ADVENTURE
29.03.1

WORLD'S FIRST ACTION PACKED

ADVENTURE EXPERIENCE

The adventure continues in our

THEMED RESTAURANT AND RETAIL STORE

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FLANNERY
MERLIN
MAGIC
MAKING


MERLIN
MAGIC
MAKING

MERLIN
MAGIC
MAKING


EMSLEY
MERLIN
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What a Beast!

Hope and Inspiration

"I have been so lucky to experience some of the toughest environments and challenges the world has to offer.

When your greatest fears are laid bare, you have to keep your nerve and dig deep. That "never give up spirit" is what I hope to inspire in as many people as possible through this huge endeavour.

The scale of challenges that can be found at The Bear Grylls Adventure are truly mind blowing and it allows millions of others to find the courage & tenacity to conquer their own Everest."

Bear

NEW
BRANDS
Roll -out

NEW BRANDS
Roll -out

TRAIL BLAZING

Model/ expectations

Roll out potential

Roll out decision

UNIQUE

AMAZING!

NEW BRANDS
Roll -out

E-ONE LICENCE

Peppa Pig
World of Play

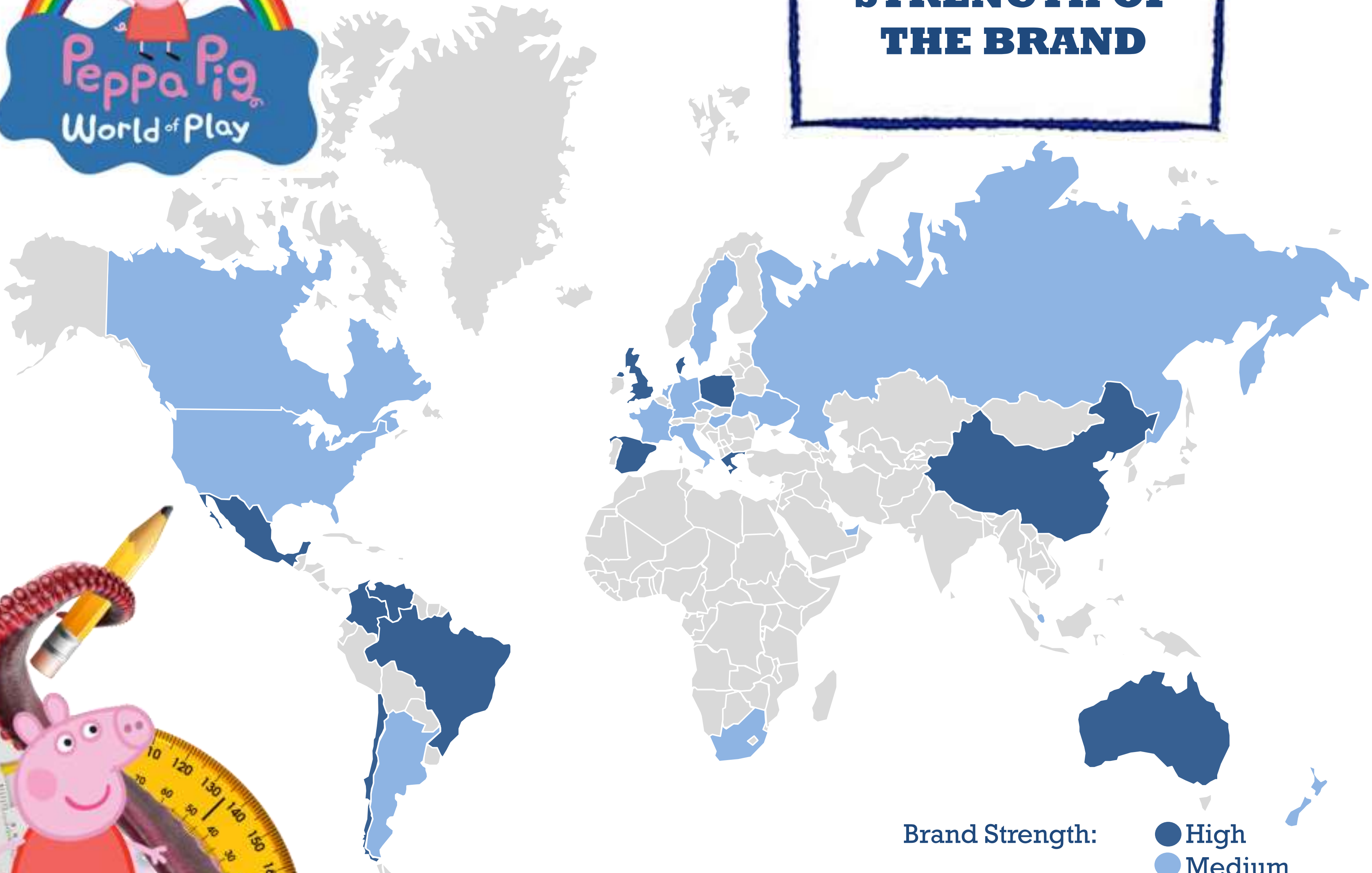
- **Near global exclusive license for location based entertainment**
  - includes accommodation
  - non exclusive China/Italy (until 2019)
  - excludes UK
  - Initial exclusivity to 2022 with extensions subject to roll out
- **Focus initial PPWoP format and in-park lands**
- **Royalty dependent on format**
  - Stand alone attraction based on % of revenue
- **Protections and termination rights**

Peppa Pig World of Play

PPWOP 'Model'

- 1,100-1,500m2
- Mall-type family destination locations
- Capital cost c£2.5-3m
- Settledown volume 140-200k pa @ c £11 RPC
- Settledown EBITDA £0.4-0.6m, @ average 14% IRR

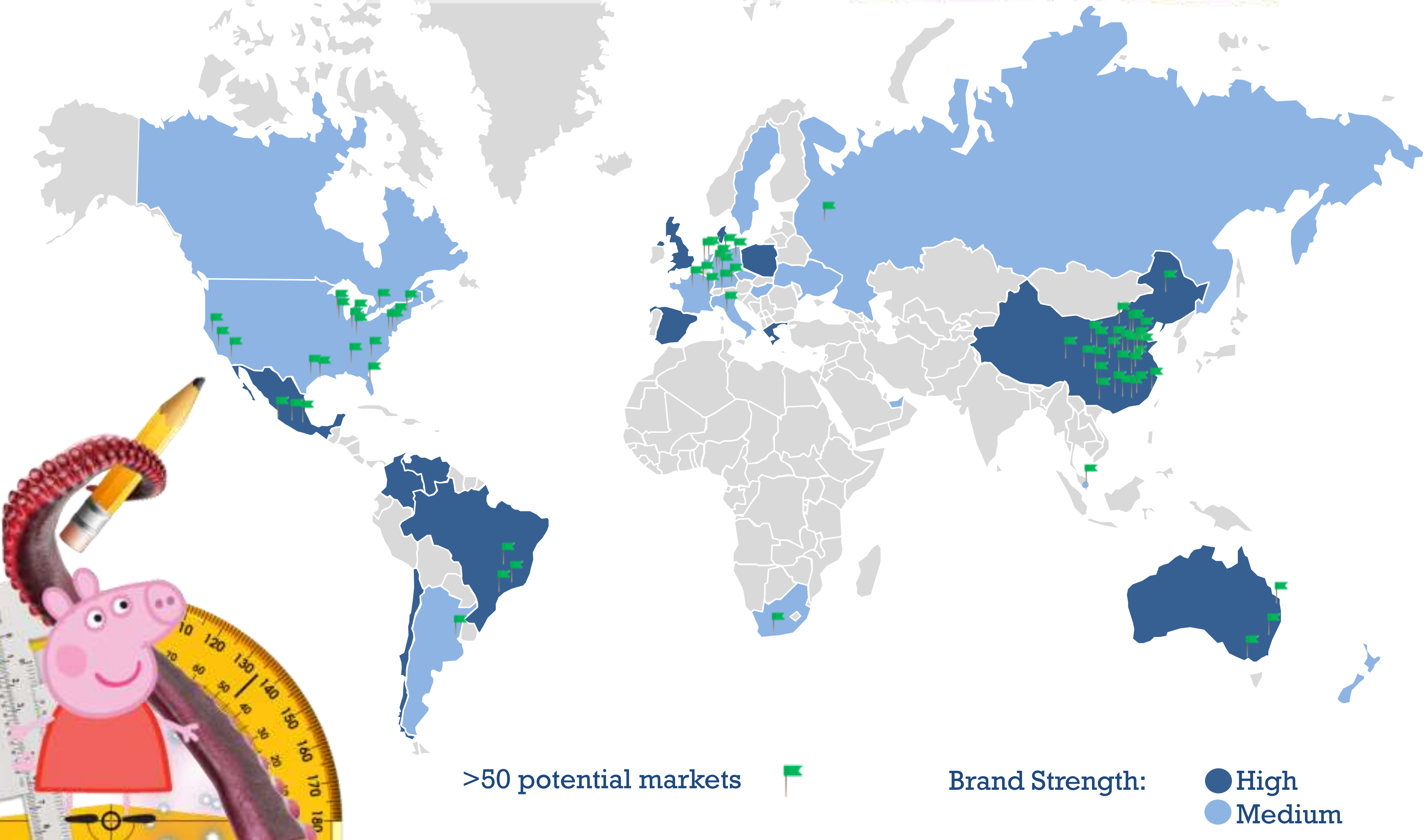
STRENGTH OF THE BRAND



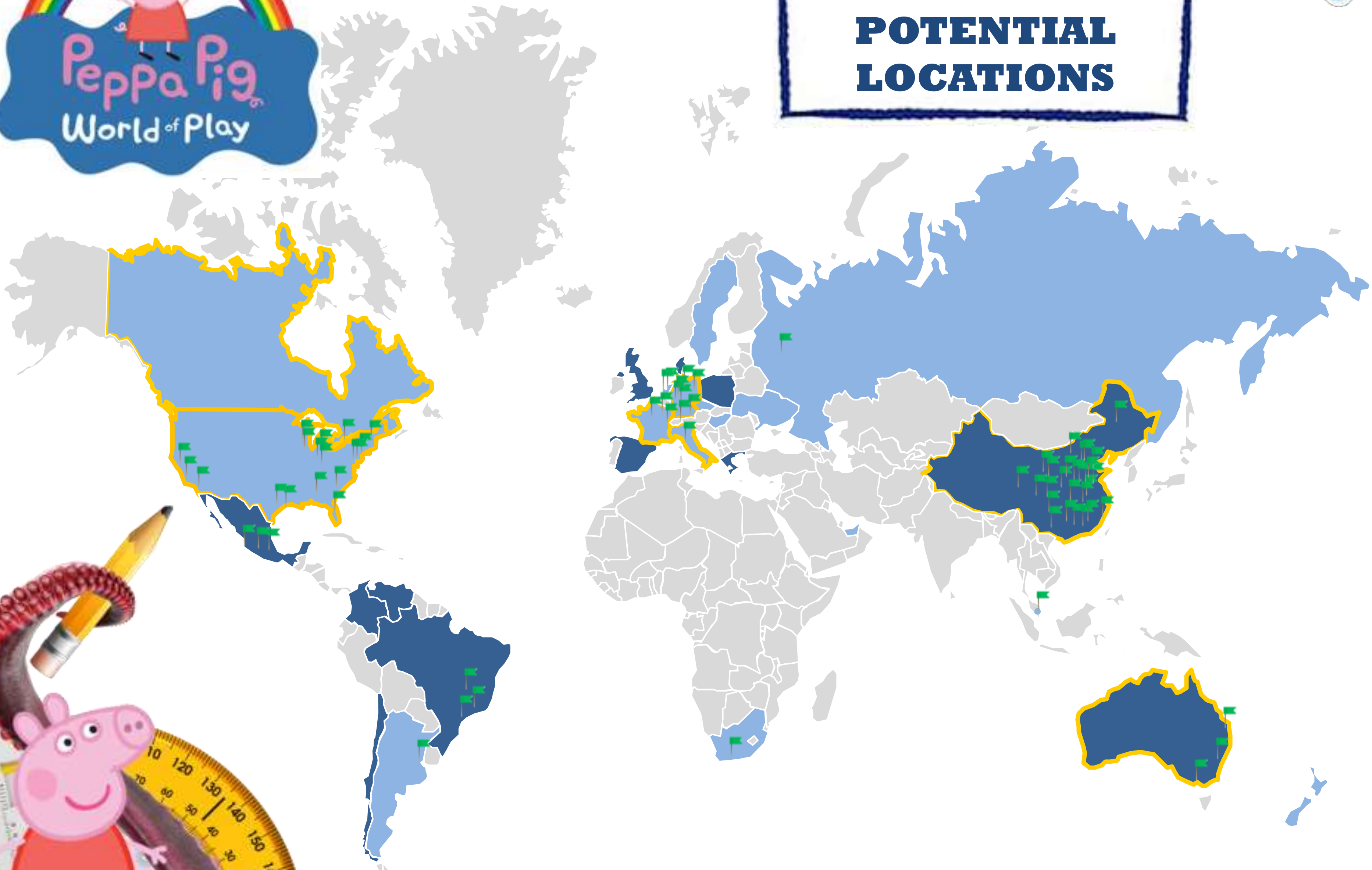
Merlin assessment of Peppa Pig brand based on 3rd party analysis

MARKET SCREENING

- Medium/high brand strength
- Number of children <2 hours (adjusted)
  - Consistent with LDC performance



INITIAL POTENTIAL LOCATIONS



Existing Merlin Markets

Peppa Pig World of Play

Success Criteria

- ✓ Build to budget/quality
- ✓ IP approval
- ✓ Guest satisfaction and feedback
- ✓ Volumes and RPCs within expected range
- ✓ Margins within expected range

- **Primary commercial risks**
  - Product supports premium price
  - Demand profile allows high utilisation

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NEW BRANDS
Roll -out

BG LICENCE

The Bear Grylls
ADVENTURE

- **Global exclusive license for ‘The Bear Grylls Adventure’ concept**
  - Initial exclusivity to 2026, subject to roll out
  - 10 year extension for each 4 attractions
- **Revenue-based royalty payment**
- **Protections and termination rights**

BGA 'Model'

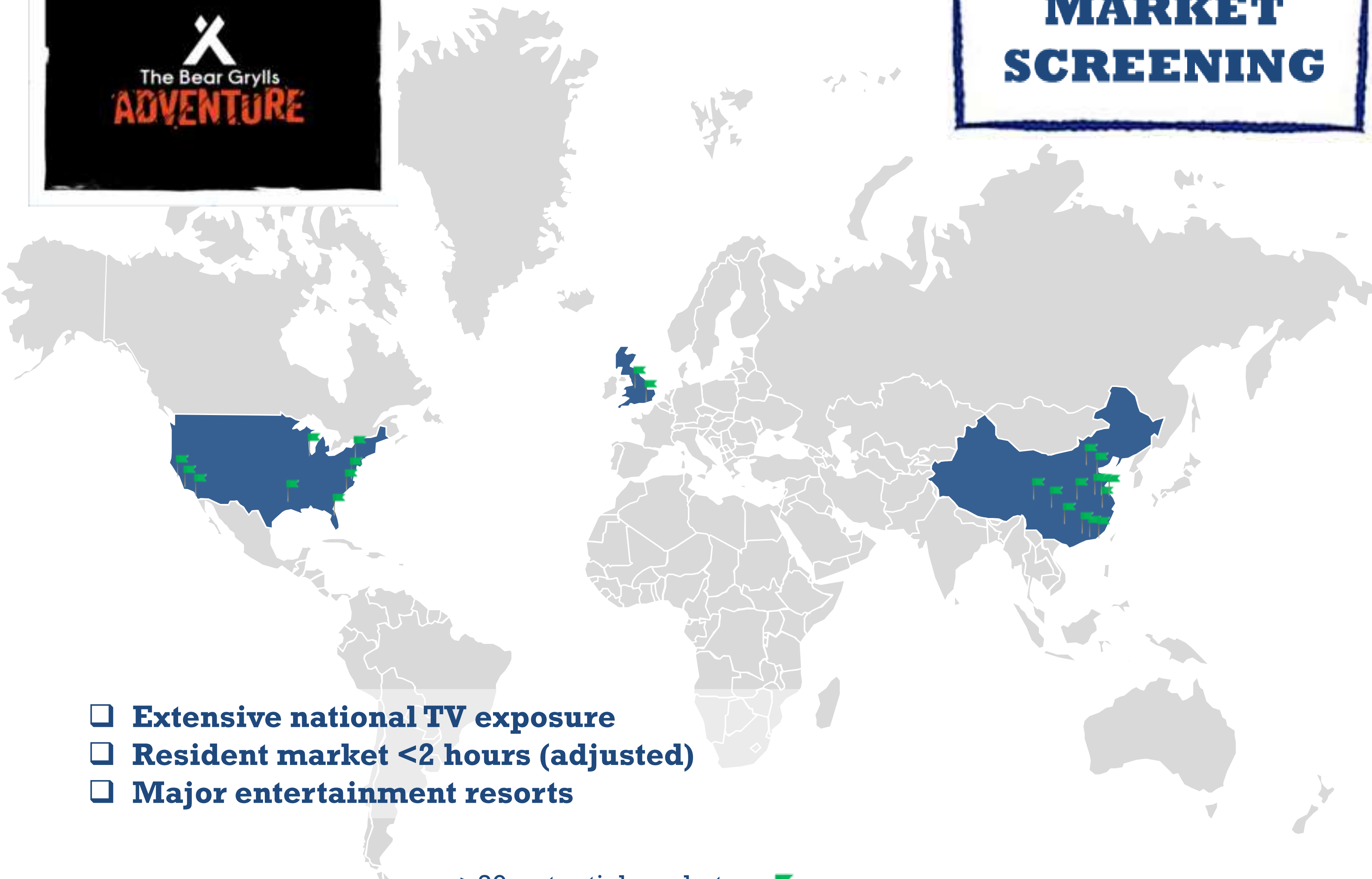
- c8,000 – 10,000m2
- Destination locations
- Capital cost c£20m
- Settledown volume 350-450k pa @ c£25 RPC
- Settledown EBITDA £3-5m, @ c14% IRR

BG Viewers/Ad Value Worldwide

Data provided by Bear Grylls Ventures 2017

The Bear Grylls ADVENTURE

MARKET SCREENING



- ❑ **Extensive national TV exposure**
- ❑ **Resident market <2 hours (adjusted)**
- ❑ **Major entertainment resorts**

>20 potential markets

Success Criteria

The Bear Grylls ADVENTURE
Dive · Climb · Ice · High Ropes · i-Fly

- ✓ Build to budget/quality
- ✓ Volumes and RPCs within expected range
- ✓ Guest satisfaction and feedback
- ✓ Margins within expected range
- ✓ IP approval
- ✓ Operationally sustainable

Primary commercial risks

- IP/marketing drives visitation
- ‘Hero’ activity take up at target RPC
- Demand profile allows adequate utilisation

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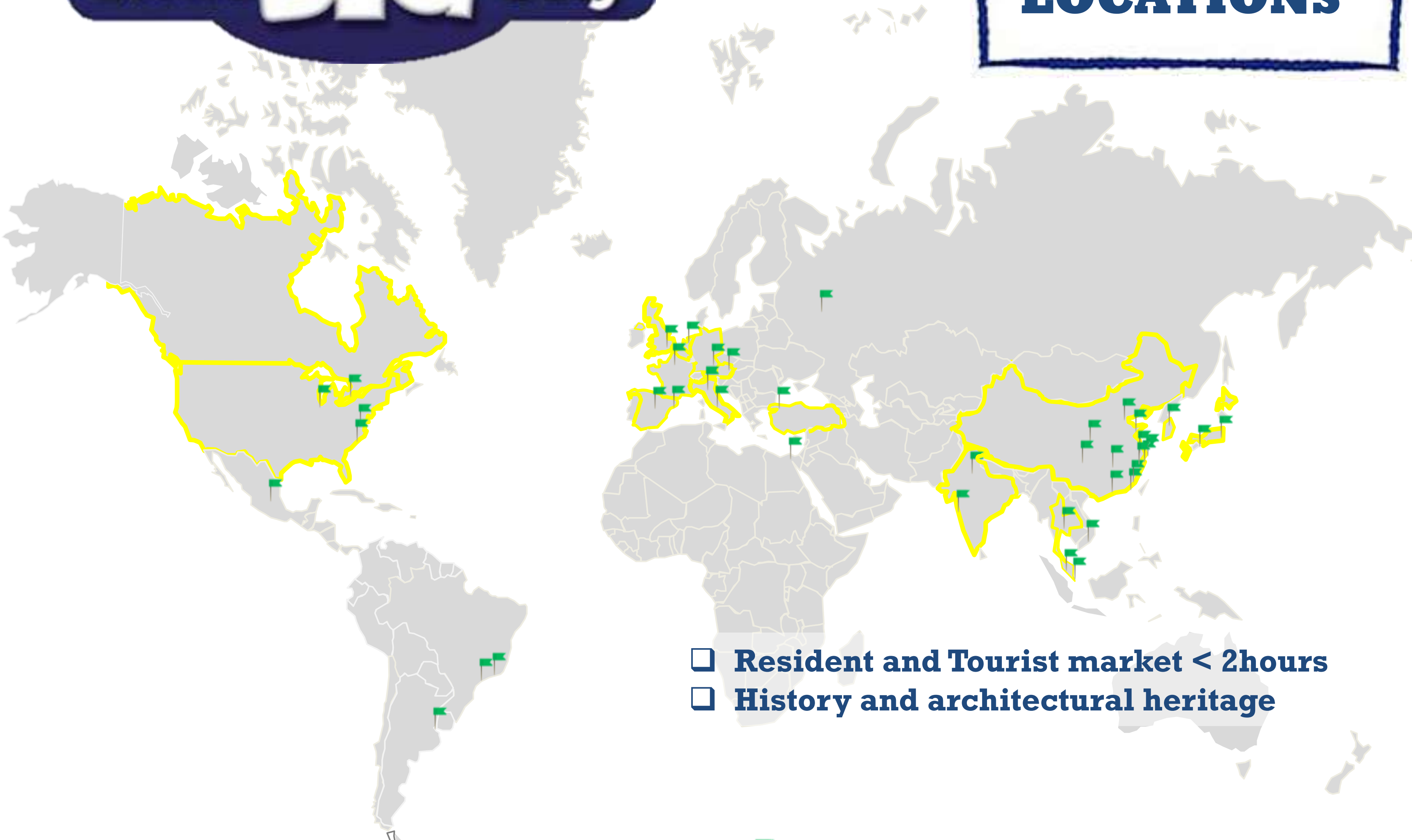
Little BIG City

LBC 'Model'

- c1200-1500m2
- Tourist destination locations
- Capital cost c£5.5-6.5m
- Settledown volume 350-450k pa @ c£9 RPC
- Settledown EBITDA £1.0-1.4m, @ average14% IRR

POTENTIAL LOCATIONS



- Resident and Tourist market < 2hours
- History and architectural heritage

>30 potential markets

Existing Merlin Markets

Little BIG City

Success Criteria

- ❑ **Build to budget/quality**
- ✅ BERLIN
- ❑ **Guest satisfaction and feedback**
- ✅ BERLIN
- ❑ **Volumes and RPCs within expected range**
- ❓ BERLIN
- ❑ **Margins within expected range**
- ✅ BERLIN

Primary commercial risks

- Dwell/engagement
- Rate of maturity in tourist market

NEW BRANDS PIPELINE 2018-19

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SUMMARY

- **BRANDS** targeting range of:
  - ATTRACTION size/investment
  - PRICE
  - DEMOGRAPHIC
- Concepts targeting standard 14% IRR **RETURN**
- **REVIEW** after 12-24 months trading
- If **SUCCESSFUL**
  - strengthens Merlin's brand offering
  - high roll out potential

Key Messages

Key Messages

Merlin Magic Making

A unique, in-house resource supporting the business through four key activities

Extensive creative expertise, industry experience and technical know-how

Scale and best practice sharing drives efficiencies

Trusted business partner for both Merlin and third-party brands

Key Messages

New Brands

Diversity and extend the Midway roll out

Partnerships with two exceptionally strong third-party brands

Little BIG City – Merlin's take on a timeless concept; pleased with early results

If pilots prove successful, confident in global scalability


Q
&
A


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