



Merlin Entertainments plc – Trading Update

**Performance year to date in line with expectations
2018 outlook unchanged**

16 October 2018

Merlin Entertainments (the 'Group') today reports its trading performance for the 40 weeks ended 6 October 2018, including the key summer trading period of July and August.

Summary

- 4.7% Group organic⁽¹⁾ revenue growth year to date (2.6% growth at reported currency), driven primarily by New Business Development, with like for like revenue growth of 1.4%;
- Resort Theme Parks organic revenue growth of 9.0% with particularly strong like for like trading due to successful product investment and favourable weather;
- LEGOLAND Parks organic revenue growth of 6.4% driven by the full year contribution of LEGOLAND Japan and the continued successful accommodation roll out, offset by flat like for like growth;
- Midway Attractions organic revenue growth flat reflecting the expected decline in like for like revenue, with the new openings schedule phased towards the end of the year;
- Accommodation revenue grew by 27.7% on a constant currency basis reflecting the continued success of the resort positioning strategy;
- Launch of two new brands – Peppa Pig World of Play in Shanghai, and The Bear Grylls Adventure in Birmingham, UK.

Nick Varney, Merlin Entertainments Chief Executive Officer, said:

“Group trading has been in line with expectations, with variances by Operating Group reflecting the diversified nature of the portfolio.

We have opened a record 644 rooms, and six new Midway attractions which has resulted in organic revenue growth of 4.7%. Continued strong guest demand for our themed accommodation offering and the ongoing trend towards short breaks has driven 27.7% growth in accommodation revenue.

The impact of terror attacks which adversely affected performance from early 2017 has started to abate and we have seen early signs of recovery in the London tourism market over the summer.

We are excited by the recent launch of our two new Midway brands – The Bear Grylls Adventure in Birmingham, UK, and Peppa Pig World of Play in Shanghai. It is too early to comment on their commercial success, which as for all new brands could take time to build, but the attractions look fantastic and we are pleased with early guest feedback.

The cost environment remains challenging, with tighter labour markets in many parts of the world adding to the pressures resulting from legislative changes such as the National Living Wage in the UK. Our Productivity Agenda remains a key area of focus, and it is testament to our teams that, despite these cost pressures, we have continued to deliver excellent levels of guest satisfaction overall.

The underlying fundamentals of our markets are strong and we remain excited by the global opportunities that Merlin enjoys.”

Operating Group performance

Midway Attractions

Organic revenue growth was flat in Midway Attractions, with a 0.7% decline in like for like revenue offset by a positive contribution from New Business Development.

Trading in the Midway Attractions Operating Group continues to be driven largely by trends in London – Midway's largest Division. As anticipated, London declined in the first half of the year, reflecting the continued adverse impact of the terror attacks which took place in 2017. However summer trading has shown early signs of a recovery, with increasingly consistent, if modest, year on year growth reported in recent weeks.

Elsewhere, as previously disclosed, after a strong start to the year our Midway Europe Division has seen more difficult trading due to the very warm weather.

Our New Business Development programme has been weighted towards the second half of the year, with four of the six new attractions opened in the last two months.

LEGOLAND Parks

The LEGOLAND Parks Operating Group has delivered 6.4% organic revenue growth, driven by the full year contribution of LEGOLAND Japan which opened in April 2017, and the continued successful roll out of accommodation, offsetting a 0.3% decline in like for like revenue.

A lower like for like revenue performance had been anticipated in 2018 after several years of very strong growth which were driven by both well-targeted product investments and support from LEGO movie releases. The marketing challenges relating to one park, as previously disclosed, continued throughout the summer and contributed to the Operating Group performance being overall lower than our earlier expectations.

A total of 644 rooms have been opened in 2018, comprising a 142 room Pirate Island Hotel at LEGOLAND Deutschland, a 252 room hotel at LEGOLAND Japan and a 250 room LEGOLAND California Castle Hotel.

Resort Theme Parks

Resort Theme Parks organic revenue growth of 9.0% reflects 8.3% like for like revenue growth and the full period benefit of 76 accommodation rooms opened in 2017.

The strong trading experienced in the first half of the year has continued throughout the summer. Weather in Northern Europe has remained favourable, particularly when compared to 2017, and we have enjoyed the benefit of strong product investment, which included the 'Wicker Man' wooden roller coaster at Alton Towers, and 'Peppa Pig Lands' at Gardaland and Heide Park.

Group

Cost pressures and Productivity Agenda

Merlin has successfully mitigated significant cost pressures in recent years, resulting from legislative changes such as the UK National Living Wage and a significant increase in business rates. This has been achieved through largely attraction-level savings and efficiency improvements.

We remain focused upon maintaining this cost discipline across the Group, but are mindful of increasing cost pressures as a result of the tighter labour markets in a number of the regions in which we operate. Our Productivity Agenda is expected to provide significant mitigation, although the full benefits of this are not expected until beyond 2019.

IFRS 15

Merlin's reported 2018 results will include the adoption of IFRS 15, the new accounting standard for revenue accounting which became effective this year, with no adjustment to previously reported 2017 numbers, and negligible impact on EBITDA. To aid comparability, growth rates within these results refer to movements excluding the impact of IFRS 15 unless otherwise stated. As previously guided, the impact of IFRS 15 is expected to represent an additional approximately £30 to £35 million to revenue in 2018.

Outlook

Trading to date has been in line with expectations, although there remain a number of important trading weeks over the Halloween and Christmas periods.

Reflecting the trends experienced to date, Merlin anticipates reporting 2018 results in line with market expectations.

Delivering on the strategy

The Group has made good progress against its strategic growth drivers in 2018, notably in the following areas:

Growing the existing estate through planned investment cycles

- Compelling new propositions opened across the estate, including:
 - Midway Attractions – New 'Justice League' feature at Madame Tussauds Orlando and Sydney leveraging the enduring popularity of DC Comics superheroes
 - LEGOLAND Parks – 'LEGO City: Deep Sea Adventure' opened at LEGOLAND California in July
 - Resort Theme Parks – 'Wicker Man' at Alton Towers and 'Peppa Pig Land' at both Heide Park and Gardaland.

Exploiting strategic synergies

- Continued progress against the Productivity Agenda across the three main categories:
 - Back office systems – finance systems development
 - Model evolution – 'lean pilot' theme park project and differentiated Midway operating model projects underway
 - Technology – continued roll out of self-service ticketing terminals.

Transforming our theme parks into destination resorts

- Total of 644 new rooms opened since the beginning of 2018, comprising:
 - 252 room hotel at LEGOLAND Japan, developing the park into a resort
 - 250 room LEGOLAND California Castle Hotel, doubling the capacity of on-site accommodation
 - 142 room Pirate Island Hotel at LEGOLAND Deutschland, complementing the existing 319 rooms.
- 372 rooms scheduled to open in 2019, across both the LEGOLAND Parks and Resort Theme Parks Operating Groups.

Rolling out new Midway attractions

- Total of six attractions opened since the beginning of 2018, including:
 - A pilot of 'The Bear Grylls Adventure' in Birmingham, UK
 - Second Little BIG City attraction, opened in Beijing in September
 - Shanghai Dungeon opened in September representing the brand's first attraction in Asia.
- Pilot of Peppa Pig World of Play to open in late October
- Pipeline of attractions evolving towards new brands and new markets.

New LEGOLAND park developments

- Full period contribution of LEGOLAND Japan which opened in April 2017
- LEGOLAND New York remains on schedule to open in 2020
- Study agreements in place regarding a number of opportunities in China.

Footnotes:

⁽¹⁾ Growth from like for like businesses and new business development at constant currency and excluding growth from acquisitions.

Analyst presentation:

A presentation for analysts will be held this morning at 09:30 UK time at:

The Lincoln Centre
18 Lincoln's Inn Fields
London
WC2A 3ED

The meeting will also be webcast and can be accessed via Merlin's corporate website, www.merlinentertainments.biz.

This announcement contains inside information.

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Notes to Editors :**About Merlin Entertainments plc**

Merlin Entertainments plc is a global leader in location based, family entertainment. As Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin now operates over 120 attractions, 18 hotels and 6 holiday villages in 25 countries and across 4 continents. The company aims to deliver memorable experiences to more than 65 million visitors worldwide, through its iconic global and local brands, and the commitment and passion of its c.29,000 employees (peak season). It is headquartered in Poole, Dorset, UK and is listed on the London Stock Exchange (MERLL). In 2017, Merlin had revenues of £1,594 million and EBITDA of £474 million. Reflecting its longstanding strategy of diversification and global expansion, Merlin now generates over 70% of profits from outside of the UK.

Merlin's strategy since Merlin was formed in 1999 has been to create a high growth, high return family entertainment company based upon strong brands and a global portfolio that is naturally balanced against the impact of external factors. It operates two distinct products – Midway attractions and theme parks.

'Midway' attractions are high quality, branded, indoor attractions, with a typical 1-2 hour dwell time, located in city centres, shopping malls or resorts. There are over 100 Midway attractions across 22 countries, with five established chainable brands: SEA LIFE, Madame Tussauds, The Eye (observation attractions), The Dungeons and LEGOLAND Discovery Centres. Midway also incorporates the Little BIG City brand which has attractions in Berlin and Beijing.

Merlin's theme parks are larger multi-day outdoor destination venues, incorporating on-site themed accommodation. These are organised into two specific Operating Groups, based on the brands.

- LEGOLAND Parks – Eight LEGO themed interactive theme parks appealing to younger families with children aged 2-12. The LEGOLAND Parks estate spans seven countries across three continents, with plans already announced for further parks in New York, US and South Korea and discussions ongoing regarding parks in China.*
- Resort Theme Parks – Six nationally recognised destination theme parks arranged around a central theme. Resort Theme Parks include Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle in the UK, and Gardaland (Italy) and Heide Park (Northern Germany).*

The trend towards shorter, more frequent breaks has supported the growth of Merlin's themed on-site accommodation within its theme parks. Merlin has over 4,000 rooms across a variety of accommodation formats including four star hotels, lodges and glamping.

In October 2017, Merlin announced global exclusive partnership agreements to roll out location based entertainment based on two market-leading brands. The Bear Grylls Adventure is a unique, activity-based attraction designed on the challenges experienced by world-famous adventurer Bear Grylls, the first of which opened in Birmingham, UK this year. Merlin will further extend its pre-school market portfolio with an exclusive agreement to develop a range of attraction formats based on Peppa Pig and family, the first of which will open in 2018.

Merlin delivers safe, memorable experiences every day for its guests through its own brands or through exclusive IP partnerships. It is supported by its unique internal department – Merlin Magic Making – providing development, creative, production and project management expertise. Merlin also operates a function dedicated to opening new attractions which incorporates site finding, construction, resourcing and initial operation.

Merlin also aims to make a difference to the communities linked to its business. Merlin's Magic Wand is a charity helping disadvantaged and sick children experience the magic of Merlin's attractions, and SEA LIFE Trust, promotes and contributes to marine conservation around the world.

See Merlin Backstage (www.merlinentertainments.biz/backstage or www.facebook.com/merlinbackstage) for an insight into how Merlin delivers memorable experiences to its many millions of visitors to its attractions.

Visit www.merlinentertainments.biz for more information.

Number of attractions

Movement in the number of attractions between 30 December 2017 and 6 October 2018:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	30 Dec 2017	Mov't	6 Oct 2018	30 Dec 2017	Mov't	6 Oct 2018	30 Dec 2017	Mov't	6 Oct 2018	30 Dec 2017	Mov't	6 Oct 2018	30 Dec 2017	Mov't	6 Oct 2018
SEA LIFE	13	(1)	12	18	-	18	8	-	8	9	-	9	48	(1)	47
MT ⁽¹⁾	2	-	2	4	-	4	7	-	7	10	-	10	23	-	23
Dungeons	5	-	5	3	-	3	1	-	1	-	1	1	9	1	10
LDC ⁽²⁾	1	1	2	3	-	3	10	1	11	4	-	4	18	2	20
Eye	2	-	2	-	-	-	1	(1)	-	1	-	1	4	(1)	3
Other	1	1	2	1	-	1	-	-	-	6	1	7	8	2	10
Midway⁽³⁾	24	1	25	29	-	29	27	-	27	30	2	32	110	3	113
LLP⁽⁴⁾	1	-	1	2	-	2	2	-	2	3	-	3	8	-	8
RTP⁽⁵⁾	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
Group	29	1	30	33	-	33	29	-	29	33	2	35	124	3	127

Note:

⁽¹⁾ Madame Tussauds

⁽²⁾ LEGOLAND Discovery Centre

⁽³⁾ Midway Attractions Operating Group

⁽⁴⁾ LEGOLAND Parks Operating Group

⁽⁵⁾ Resort Theme Parks Operating Group

Attractions opened to date in 2018 comprise SLC Nagoya, LDC Birmingham, LBC Beijing, The Bear Grylls Adventure Birmingham, LDC Columbus, Shanghai Dungeon. Peppa Pig World of Play Shanghai is scheduled to open in late October.

Merlin ceased to operate three Midway attractions in the period (Mainly SEA LIFE Sanctuary, the Orlando Eye, and the Cornish Seal Sanctuary) with negligible financial impact.

Number of rooms

Movement in the number of accommodation rooms between 30 December 2017 and 6 October 2018:

	30-Dec-17	Movement	6-Oct-18
Billund (Denmark)	436	-	436
Windsor (UK)	209	-	209
California	250	250	500
Deutschland	319	142	461
Florida	318	-	318
Malaysia	258	-	258
Dubai	-	-	-
Japan	-	252	252
LEGOLAND Parks	1,790	644	2,434
Alton Towers (UK)	592	-	592
Chessington World of Adventures (UK)	254	-	254
Gardaland (Italy)	347	-	347
Heide Park (Germany)	329	-	329
THORPE PARK (UK)	90	-	90
Warwick Castle (UK)	67	-	67
Resort Theme Parks	1,679	-	1,679
Group	3,469	644	4,113

Note:

Excludes campsite pitches at LEGOLAND Deutschland and LEGOLAND Billund.