



Merlin Entertainments plc – Trading Update

New Business Development drives revenue growth
Difficult summer trading after strong early momentum
Intention to reallocate capital to reflect current market context and cost pressures
LEGOLAND New York planned for 2020 and two new IP partnerships announced

17 October 2017

Merlin Entertainments (the 'Group') today reports its trading performance for the 40 weeks ended 7 October 2017, including the key summer trading period of July and August.

Key trading highlights⁽¹⁾

<i>Year to date revenue growth</i>	Total growth at actual FX	Total growth at constant FX ⁽²⁾	Like for like growth ⁽³⁾
Midway Attractions	7.7%	1.6%	(1.0)%
LEGOLAND Parks	24.4%	15.7%	3.4%
Resort Theme Parks	3.4%	(0.8)%	(2.1)%
Group	12.4%	5.9%	0.3%

Summary

- 12.4% revenue growth (5.9% at constant currency) reflecting the diverse nature of the portfolio and driven by continued strong New Business Development, including the successful opening of LEGOLAND Japan, five new Midway attractions, and 381 new accommodation rooms;
- Like for like revenue performance flat on 2016 due to difficult summer trading in Midway London and European theme parks as a result of the series of terror attacks and unfavourable weather;
- Intention to reallocate capital investment to address the ongoing volatile market environment and underlying cost pressures, reducing Existing Estate capex by £100 million over the period 2018-21, which will fund accelerated investment in accommodation and our Productivity Agenda;
- Announcement of two new Intellectual Property partnerships - 'The Bear Grylls Adventure' attraction and a partnership with Entertainment One to roll out location based entertainment based upon the 'Peppa Pig' brand;
- LEGOLAND New York now expected to open in 2020, subject to final formalities, representing a total capital cost of approximately \$350 million (£262 million).

Nick Varney, Merlin Entertainments Chief Executive Officer, said:

"Merlin has delivered another period of good total revenue growth reflecting the contribution from New Business Development as well as more favourable currency movements, with over 70% of profits being derived from outside the UK. Another busy year has seen us open five new Midway attractions to date, nearly 400 accommodation rooms across four of our theme parks, and a new LEGOLAND park in Japan. The exciting new partnerships with eOne and Bear Grylls, as well as the planned opening of LEGOLAND New York in 2020, show there is plenty more magic to come.

In the Existing Estate, trading to date has been more mixed. After strong early season momentum across most of our businesses, we have experienced difficult trading over the summer period, as the spate of terror attacks witnessed in the UK marked an inflection point in Midway London and UK theme park trading. Poor weather in Northern Europe and extreme weather in Italy and Florida also impacted peak season trading.

Despite the diversity of our business – by geography, brand and visitor mix - our markets continue to be impacted by certain external shocks, not least terrorism which is currently at record levels of intensity in Europe. We also continue to face significant cost pressures, largely brought about by employment legislation, particularly in the UK.

Going forward therefore, whilst our long-standing Six Strategic Growth Drivers remain unchanged, reflecting the longer term structural attractiveness of the markets in which we operate, we will be reallocating capital to adjust to the current environment and to maintain our capital discipline. Over the period of 2018-21, we will reduce Existing Estate capex by approximately £100 million, reallocating this into accelerating our highly successful accommodation roll out programme, as well as increasing our investment in our Productivity Agenda. As a result, we expect a stronger contribution from New Business Development to offset an assumption of low single digit like for like growth, based upon similar aggregate levels of capital investment.

Merlin has experienced unprecedented levels of demand volatility in recent periods and it is testament to the diversity of the portfolio, the strength of our brands, and the commitment of our team, that we have continued to deliver revenue and profit growth during these times. Our business model allows us to ‘adjust the tiller’ given the difficult market conditions and we are doing so. I and Merlin’s management team therefore remain confident in the longer term prospects.”

Midway Attractions

Our Midway attractions started the year very positively, reflecting a significant improvement in the London Division as a result of stronger foreign visitation to the UK following the favourable foreign exchange rate movements. As highlighted at our interim results, the Westminster Bridge terror attack, which took place shortly before the Easter holidays, resulted in an immediate drop off in domestic visitation to the capital, with demand further dampened following subsequent attacks. International tourism remained resilient ahead of the summer reflecting the longer lead time from booking to visitation, but deteriorated materially over the peak trading period resulting in a difficult overall market for London's visitor attractions.

Our Midway North America Division has been affected by softer trading in LEGOLAND Discovery Centres reflecting the performance of the LEGO Group. Trading elsewhere across the Midway estate remains more positive including in a number of European markets such as Amsterdam and Edinburgh which have been unaffected by security concerns.

Our New Business Development programme has seen us open five new attractions to date, comprising LEGOLAND Discovery Centres in Philadelphia and Melbourne, Madame Tussauds in Nashville, SEA LIFE Centre in Chongqing and the first of our new brand 'Little BIG City' in Berlin. Madame Tussauds Delhi – our first attraction in India – is expected to open towards the end of the year.

LEGOLAND Parks

The LEGOLAND Parks Operating Group continues to perform well, and has been less affected by the performance of LEGO Group sales.

Trading in recent weeks has however been impacted by Hurricane Irma which resulted in the closure of LEGOLAND Florida for three days, and the park has seen lower levels of visitation in the aftermath given the importance of the local resident market.

LEGOLAND Japan, which opened in April, is expected to deliver a full year result in line with previous guidance.

A total of 307 rooms have been opened in 2017, comprising an 80 room expansion of the Holiday Village in LEGOLAND Billund, 166 room Holiday Village at LEGOLAND Florida and the 61 room Castle Hotel at LEGOLAND Windsor.

Resort Theme Parks

After a strong start to the season, and as referenced at the interim results, the series of terror attacks and subsequent raising of the threat level in the UK resulted in a difficult theme park market over the key trading period. This was further impacted by unfavourable weather in the UK and Northern Germany, whilst flash floods in Italy resulted in significant shortfalls in visitation to Gardaland during a number of important trading days.

The new 76 room CBeebies Land Hotel opened at Alton Towers on 8 July further enhancing the resort's accommodation offering and building upon the success of the CBeebies Land area within the park.

Delivering on the strategy

Reallocation of capital

Going forward, whilst our long-standing Six Strategic Growth Drivers remain unchanged, we will be reallocating planned capital investments from the Existing Estate into an accelerated accommodation roll out and a Productivity Agenda.

Specifically:

- Intention to reduce Existing Estate capex by approximately £100 million over the period 2018-21, predominantly from the Midway Attractions and Resort Theme Parks Operating Groups, with investment in Health and Safety and Repairs and Maintenance unaffected.
- Approximately £30 million investment in a Productivity Agenda, the initial benefits of which are expected from late 2019 onwards.
- Acceleration in accommodation roll out, with 2,000 rooms expected over the 2018-21 period (2,000 over 2016-20 previously).

New Intellectual Property partnerships

Merlin today announces it has entered into two global exclusive IP partnerships to develop location based entertainment:

- Bear Grylls - Partnering with the world-famous survival expert, international TV host and bestselling author, 'The Bear Grylls Adventure' will be targeted at the adventure-based experiences market, with the first attraction to open in Birmingham, UK, in 2018.
- Peppa Pig – A multi-territory agreement with Entertainment One (eOne) to open Peppa Pig themed attractions and accommodation. Peppa Pig is one of the world's leading pre-school brand properties with over 1,000 licensees across 60 countries. The deal which excludes the UK gives Merlin exclusivity in all territories other than China, where the licence is granted on a non-exclusive basis.

These agreements will support Merlin's roll out programme, further diversifying our business by brand, customer type and geography, and extend our reach into the adventure-seeking and pre-school markets.

Further details on each of these new attractions will be provided in due course.

Strategic progress in 2017

The Group has made good progress against its Six Strategic Growth Drivers in 2017, notably in the following areas:

Growing the existing estate through planned investment cycles

- Compelling new propositions opened across the estate, including:
 - Midway Attractions – New product including 'Ocean Invaders' at SEA LIFE London Aquarium and 'Fashion Week Experience' at Madame Tussauds Sydney.
 - LEGOLAND Parks – 'NINJAGO World' now open at six of our parks.
 - Resort Theme Parks – 'The Gruffalo River Ride Adventure' at Chessington World of Adventures and 'Ghostbusters: 5D' at Heide Park.
- 'High year' investments in 2018 at LEGOLAND California and Alton Towers.

Transforming our theme parks into destination resorts

- Total of 383 rooms opened in 2017, comprising:
 - 80 room expansion of the Holiday Village in LEGOLAND Billund;
 - 166 room Holiday Village at LEGOLAND Florida;
 - 61 room Castle Hotel at LEGOLAND Windsor;
 - 76 room CBeebies Land Hotel at Alton Towers.
- Total of 593 rooms now opened since the beginning of 2016.

- 642 rooms expected to open in 2018.

Rolling out new Midway attractions

- Five openings so far in 2017 with Madame Tussauds Delhi expected to open on 1 December.
- Total of ten attractions now opened since the beginning of 2016.
- Ten attractions expected to open in 2018, including launch of the new brand – ‘The Bear Grylls Adventure’ in Birmingham, UK, with standalone ‘Peppa Pig’ themed attractions to open in two countries by the end of 2019.
- Maintain overall capital investment of approximately £60 million to £70 million p.a. in Midway roll out over 2018-21.

New LEGOLAND park developments

- LEGOLAND Japan successfully opened in April 2017.
- Construction of bridge and key infrastructure for LEGOLAND Korea now complete; partner funding to be finalised.
- LEGOLAND New York expected to open by the end of 2020 subject to final formalities.
- Study agreements in place regarding a number of opportunities in China.

Current trading and outlook

Trading in recent weeks has remained mixed and Group like for like revenue growth for 2017 is therefore expected to be approximately flat on 2016. Reflecting this, and careful management of the cost base, 2017 EBITDA is expected to be in the range of £470 to £480 million.

Whilst it is too early to predict the outlook for 2018, it is likely that the recent trends experienced in London will persist for the foreseeable future.

Footnotes to Key trading highlights table:

- (1) All figures represent year to date growth to the end of week 40 (7 October).
- (2) Throughout the document, constant FX growth is based on the 2017 and 2016 figures, on a constant currency basis using 2017 exchange rates.
- (3) Throughout the document, like for like growth is based on the 2017 and 2016 figures and includes all businesses owned and opened before 2016, on a constant currency basis using 2017 exchange rates.

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 :

MERLIN ENTERTAINMENTS plc is the leading name in location based, family entertainment. Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin operates over 100 attractions, 15 hotels and 6 holiday villages in 24 countries and across 4 continents. The Company aims to deliver memorable experiences to its more than 60 million visitors worldwide, through its iconic global and local brands, and the commitment and passion of its circa 29,000 employees (peak season).

Since the formation of Merlin in 1999, the company's Strategic Statement has been "to create a high growth, high return, family entertainment company based on strong brands and a global portfolio that is naturally balanced against the impact of external factors".

To achieve this, Merlin has Six Strategic Growth Drivers:

1. Growing the existing estate through planned investment cycles
2. Exploiting strategic synergies
3. Transforming our theme parks into destination resorts
4. Rolling out new Midway attractions
5. New LEGOLAND park developments
6. Strategic acquisitions

About our attractions:

Merlin operates two distinct products, managed in three Operating Groups.

Midway

'Midway' attractions are high quality, branded, indoor attractions, with a typical 1-2 hour dwell time, located in city centres or resorts. There are over 100 Midway attractions across 21 countries, with five established chainable brands: SEA LIFE, Madame Tussauds, The Eye (observation attractions), The Dungeons and LEGOLAND Discovery Centres. Midway also incorporates our newest brand 'Little BIG City'.

Theme Parks

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 and South Korea, having most recently opened LEGOLAND Japan in April 2017.
- **Resort Theme Parks** – Six nationally recognised destination theme parks arranged around a central theme. The parks offering includes Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, Gardaland (Italy) and Heide Park (Northern Germany).

Number of attractions

Movement in the number of attractions between 31 December 2016 and 7 October 2017:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	31 Dec 2016	Mov't	7 Oct 2017	31 Dec 2016	Mov't	7 Oct 2017	31 Dec 2016	Mov't	7 Oct 2017	31 Dec 2016	Mov't	7 Oct 2017	31 Dec 2016	Mov't	7 Oct 2017
SEA LIFE	13	-	13	18	-	18	8	-	8	8	1	9	47	1	48
MT⁽¹⁾	2	-	2	4	-	4	6	1	7	9	-	9	21	1	22
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC⁽²⁾	1	-	1	3	-	3	9	1	10	3	1	4	16	2	18
Eye	2	-	2	-	-	-	1	-	1	1	-	1	4	-	4
Shrek⁽³⁾	1	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	1	1	-	-	-	6	-	6	6	1	7
Midway⁽⁴⁾	24	-	24	28	1	29	25	2	27	27	2	29	104	5	109
LLP⁽⁵⁾	1	-	1	2	-	2	2	-	2	2	1	3	7	1	8
RTP⁽⁶⁾	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
Group	29	-	29	32	1	33	27	2	29	29	3	32	117	6	123

Note:

⁽¹⁾ Madame Tussauds

⁽²⁾ LEGOLAND Discovery Centre

⁽³⁾ DreamWorks Tours – Shrek's Adventure!

⁽⁴⁾ Midway Attractions Operating Group

⁽⁵⁾ LEGOLAND Parks Operating Group

⁽⁶⁾ Resort Theme Parks Operating Group

Attractions opened to date in 2017 comprise: MT Nashville, LDC Philadelphia, LDC Melbourne, SLC Chongqing, Little Big City Berlin and LEGOLAND Japan.

Number of rooms

Movement in the number of accommodation rooms between 31 December 2016 and 7 Oct 2017:

	31-Dec-16	Mov't	1-Jul-17
Billund (Denmark)	356	80	436
Windsor (UK)	150	59	209
California	250	-	250
Deutschland	319	-	319
Florida	152	166	318
Malaysia	249	-	249
Dubai	-	-	-
Japan	-	-	-
LEGOLAND Parks	1,476	305	1,781
Alton Towers (UK)	516	76	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)	71	-	71
Resort Theme Parks	1,607	76	1,683
Group	3,083	381	3,464

Note:

Table shows movement in room count net of any closures in the period.

Excludes campsite pitches at LEGOLAND Deutschland and LEGOLAND Billund.