



Ladies and gentlemen, welcome to the Parques Reunidos Q1 Financial Results. The Management of the company will run you through the presentation. I am now pleased to give the floor to Mr. Richard Golding, Chairman, Mr. Isidoro Díez, Chief Financial Officer, and Mr. Juan Barbolla, Chief of Strategy and Investor Relations. Gentlemen, please go ahead.

Richard Golding:

Thank you. Good morning. This is Richard Golding, the Chairman of Parques Reunidos. Thank you all for joining us for today's conference call. We are here to present our earnings results for the January to March period, as well as a trading update until year-to-April. As you know, the period from January to March is not very meaningful for our business as it only represents about 5% of the Group annual revenues, and most of our parks are closed. Additionally, this Q1 results performance has been impacted by the Easter holidays calendar shift. Q1 like-for-like revenues have slightly decreased by 1.5%. However, looking at the performance year-to-date end of April, which factors in the Easter holiday calendar shift, the results achieved are encouraging. Like-for-like revenues increased by an impressive 9%, above our expectations, and the main drivers have been Spain and the rest of Europe regions, which have both recorded strong performance. In the US, as the season for most of our parks begins in May and the beginning of June, and hence, the results are even less meaningful for this quarter. Juan will take you through further details of the business performance later during this call.

On the recent acquisitions, it's worth mentioning that Tropical Islands is consolidating since January 1st. The park is running well and in line with expectations. We're already working to improve the business operations, targeting to achieve a 50% EBITDA improvement by 2021. However, not such good news on Wet'n'Wild Sydney, as it was acquired last year. The park already, had already ended its season and the results achieved are below expectations. It's fair to say that we took control of the park at the beginning at the season, so we had little time to take action. That said, we already have a team working hard to start the business turnaround. The company's now fully focused on the 2019 season, including the execution of the 70 million of expansion capex projects announced. Ducati World at Mirabilandia in Italy, as well as Steelers Country in Kennywood, and the Living Shores Aquarium at Story Land in the US. And they're all scheduled to open during Q2. The Cartoon Network at Dutch Wonderland, however, has been slightly delayed and will open at the beginning of autumn.

Lastly, as I'm sure all of you already know, Parques Reunidos has been informed that its reference shareholders, Corporación Financiera Alba and GBL have reached an agreement together with EQT to launch a voluntary tender, a takeover bid for the company. Given the announcement of the tender offer by Piolin BidCo on 26th of April, 2019, and on the basis of the legal advice we have received, we believed it is, we believe, excuse me, it is in the best interest of the company to delay the preparation of a Revised Strategic Plan until we have greater visibility on the results of the offer and until the Board has had the opportunity to analyze and give its opinion on the offer's merits once it is authorized by the CNMV. We cannot at this stage predict the timeframe of this transaction, but we'll keep the market updated in this regard.

I will now hand you over to Juan Barbolla, who will take you through the details of the performance during Q1 and current trading.





Juan Barbolla:

Thank you, Richard. So now going to page 3, we highlight the main results achieved in this period. On a reported basis, attendance and revenue increased by 45% and 40%, respectively, and this is mainly due to the acquisitions of Tropical Islands and Wet'n'Wild. On a like-for-like basis, we should focus on like-for-like figures year-to-date April to factor in the effect of the Easter holiday calendar shift. Attendance has increased by 12.7% with more than 250,000 additional visitors coming to our parks and revenue increased by 9%. In the coming slides, we will explain the performance by region. Spain has recorded another record year. Revenue increased during Q1 by 27% and EBITDA surpassed break-even levels even despite the Easter holiday calendar shift. These results have been partially helped by good weather conditions during Q1. Year-to-date April, again, revenue has also grown by 22% driven by both strong increase in attendance and a 3% increase in percaps that reflect our strategic focus on maximizing percaps. Finally, season passes sales continue growing at an attractive rate, 8% since October.

In the Rest of Europe segment, we have also delivered a good performance. When we analyze the results performance during Q1, it's not relevant, as most of our parks have delayed the beginning of the season due to the Easter calendar shift and we should only focus on the year-to-date April figures. Revenue has grown at a healthy rate of 4%, driven by both attendance and percap increase. Season passes sales have increased by 15% since October and it is worth highlighting that Marineland has recorded strong results and this is signaling that the repositioning of the park is starting to crystallize positive results.

Finally, in the US, performance is not good as expected. And the, but to be honest, year-to-date April figures just represent 7% of the annual revenues and the, most of our parks are already, are for the time being closed and they begin the season in May and early June. It is worth highlighting that first, season passes sales increased by 25% since October, and the upcoming expansion projects that will be an important driver of the performance in the region. These projects include Steelers Country at Kennywood in Pittsburgh, Living Shores Aquarium at Story Land in New Hampshire that are expected to open at the beginning of the peak season, and the Cartoon Network Hotel at Dutch Wonderland, that is, it has been slightly delayed and will open in autumn.

Now Isidoro will continue the presentation explaining our P&L for the period.

Isidoro Díez:

Thank you, Juan. I will now go through the financial information. Moving to the page 7 please, [unintelligible] going to introduce you now to the P&L below EBITDA of the, of this three-month period. Items to remark are: the 7 million increase in D&A vs. prior year, due to the 3.5 million related to the recent acquisitions, mainly Tropical Islands, and the €1.6 million related to the impact of the IFRS 16. Second item, the non-recurrent result, including severance payments to senior manager, managers, sorry, corporate office's restructuring and advisory fees related to acquisitions and most other advisory fees. And third, the financial expenses are higher than prior year due to the impact of the IFRS 16, with €1.9 million impact, another 2.4 million due to the new acquisition facility raised in January, the spread increase impact due to the leverage, amounting to 0.6 and the swap valuations, €0.7 million.



In the next page, we have included a detailed bridge of the net debt evolution for the period October 2018 to March 2019. In these six months, the capital needs have been €126 million in line with prior year. Prior year it was 123. This amount will decrease up to 0 in September as in the last years. To finish, let me add something about the first page of the Appendix regarding accounting changes. Let me take you through the bridge between reported figures and like-for-like figures. First, perimeter change. In the like-for-like figures we provide to you, we only include those businesses owned for the both periods we are comparing as per footnote no. 1. Second is our pre-sales adjustments. Pre-sales are now booked when visit has taken place and not at collection time as in prior years. Third, the IFRS 16 impact, reducing opex and increasing D&A and financial expenses mainly with positive impacts on EBITDA. And the other mainly includes the FX impact.

Now, we are open for your questions. Thank you.

Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please press 01 on your telephone keypad. There will be a short silence while questions are being registered. Thank you.

The first question comes from Ed Young from Morgan Stanley. Please go ahead.

Ed Young:

Hello, and thank you for taking my questions. The first one was, could you just elaborate a little bit more in terms of why you're delaying the conclusions, I guess, of your Strategic Review? And, you know, what's the reason that couldn't be, couldn't go ahead or the upside you think in the company couldn't be anticipated. That's my, my first question if that's okay.

Richard Golding:

That's fine, Ed. I think there are a number of issues. One, the Board of Directors of PQR and its delegated bodies, etc. are bound by the passivity rule and in the context of a tender of that limits, the actions that they can undertake from the moment of the takeover bid announced up until settlement or withdrawal of the offer of putting out a new Strategic Plan at the present moment, we have been advised by the legal counsel could be seen as being potentially in breach of that passivity rule. That's the first issue. And second is that, we have a situation where during this process, five members of the Board are conflicted and we don't think it would be very appropriate to present to them an approved Plan without their, their involvement. And, given that, that's what led us to, to delay the presentation to the Board of a, of a Plan, and then subject to approval for communication to the market.

Ed Young:

Thanks. And then, the sort of second one, I guess slightly related to that. Would therefore the Board potentially be considered, considering other offers or looking at other, other, you know, soliciting other bids? You know, what does the process look like from your point of view from here?

Richard Golding:

All right. And then the way it works is that, the, one exception to the passivity rule is the looking for potential interlopers or white knights or whatever you want to call them. And the Board with its financial advisers [unintelligible] will be contacting a, a fairly wide range of potential parties to see if there is any interest and clearly, if we get any inbounds, we will take those extremely seriously.



Ed Young:

Understood. And then the final question if that's, was on the performance of the, of the state. I, I mean, got obviously a very strong performance in Spain and a good performance in Rest of Europe. One thing, it's another thing to particularly to draw from the US. I appreciate it's a small quarter anyway, and I appreciate the small percentage to revenue, but actually as a percentage of revenue, the US is very similar actually to Rest of Europe and Spain in this quarter compared to, to previous years. So, without, that's discounting entirely, is there anything, that the, that the strikes you of the performance there that, that's noteworthy kind of that's been a very serial disappointment over the last few years? Thanks.

Richard Golding:

Yeah. I, I hate to say it, but I mean in the same way as we've said we've had good weather in, in Europe, because I think that's only fair, it's not due to management brilliance, it, it's not only, it's, in the US, we have actually hit fairly poor weather. I think you'll see some of the competitors that have raised that issue as, as well depending on their regionality. But you know, there is nothing that is of concern to us and, you know, we're very confident of the US for this year, one, because it's, it's getting a large amount of management focus and secondly, because of the expansion capex projects that I think are going to give us a, a real boost for the year.

Ed Young:

Understood. But one follow-up actually, if possible. Just quickly on Australia, you were very clear in the statement around what the actions you're taking might look like, but could you give us any color on what you think has led to the disappointing performance of Wet'n'Wild? Give a bit of color around that, that acquisition, if possible. Thanks.

Richard Golding:

Yeah, you know. The park has a number of structural issues such as shade and others that are gonna take a bit of investment and, and creativity to turn around. And those were really not able to be addressed during the course of this year and now plans are in place to, to improve the customer experience in the park and also to refocus marketing efforts and rebrand the park and bring in new attractions for, for next year. So, it's a very hands-on look at it, and I think, you know, we will have learned from the operation of the park this year and be in much better condition to move it forward for, for next year.

Ed Young:

Okay, thank you. And a very final question if that's okay. Could you just comment in general on the cost environment, particularly in the US? What do you see now in terms of labor cost pressures particularly but for the just general cost environment would be useful? Thank you.





Juan Barbolla:

Look, in the US, we are, we are experienced, okay? And, but it's, we are experienced minimum wage inflation, minimum wage increases in some of the states where we are present, okay? But, but look, this is, this is the case as well in the Rest of Europe in some of the countries like the Netherlands and Germany. And look, this is, this is part of the business, to be honest. To be fair, for the time being, we feel comfortable, okay? That that impact that we are, or we can experience on the cost side can be compensated on the, on the top line with higher percaps, okay? And this has been the case what we are seeing now and we expect to continue this way.

Ed Young:

Thanks very much.

Ladies and gentlemen, just a reminder. In order to ask a question, please press 01 on your telephone keypad. Thank you.

Ladies and gentlemen, please press 01 to ask your question. Thank you.

The next question comes from James Rowland Clark from Barclays. Please go ahead.

James Rowland Clark:

Hi, good afternoon. Just a couple of questions. First is, did you call out the Wet'n'Wild, is it progressing as you'd expected? Is there any particular reason for that? And then, expecting the... Can you reassure us that the initiatives that you've put in place at the end of last year so focus on the basics and go back to doing M&A where it's harder to get to extend EBITDA uplift? But those initiatives will continue for the next year, foreseeable future once you wait for a tender offer outcome? Thanks.

Richard Golding:

Hi, James. The Wet'n'Wild question I think I answered as fully as I could to Ed, but basically, Parques got the park, you know, once the season was almost done the way in, so it's not really had time to, to implement changes for this season, and those changes will be implemented for, for next year. And we have a team working on, a range of different initiatives for the park including rebranding new attractions and facilities upgrading ready for next year and we think that that will have a, a positive impact. Regarding M&A activity, one, I mean the, acquisition of Tropical Islands has used up most of the available, currently available gunpowder. And so it's pushed leverage quite high, so I think, in current circumstances, the issue is to make sure that we get the existing estate working well and driving organic growth to make sure that the new acquisitions in terms of Tropical Islands, Belantis [unintelligible] and Wet'n'Wild are performing as we would expect and then, a look to pay down some debt and then get back on track. But the work on identifying and looking at new possibilities is very much ongoing and active and Juan is spearheading that for us.

James Rowland Clark:

Great, thank you. I lost reception, so thanks for repeating that answer. Thank you.

Thank you, ladies and gentlemen, there are no further questions in the conference call. I now give the floor to the company. Thank you.





Richard Golding:

All right, well, thank you all very much and a pleasure as always. Have a good day.

Juan Barbolla:

Bye, thank you.

