WESTPEAK RESEARCH ASSOCIATION

Six Flags Entertainment Corp. (NYSE:SIX)

Consumer Cyclical – Leisure

No Red Flags for Six Flags

March 22nd, 2022

Founded in 1961 and known to many for decades as "Six Flags" or "Hurricane Harbor" parks, Six Flags is the largest regional theme park and waterpark operator in North America, based on the number of parks operated. Six flags operates 27 regional theme parks, with 24 locations in the United States, 2 in Mexico, and 1 in Montreal, Canada.

Thesis

Despite COVID-19, 2021 was a year of rapid growth and never-seen-before highs in per capita spends for SIX. We attribute much of this growth to the macroeconomic conditions leading to a strong consumer spending environment, along with Six Flag's aggressive growth strategies regarding investing in its IoT front, in pursuant of digitalizing the park experience. SIX has positioned itself competitively, utilizing its new digital advantages to optimize consumer baskets and sustain per capita growth rates, however, we believe that a majority of its recent growth is not idiosyncratic, and growth will significantly taper in the near future.

Drivers

The industry is highly concentrated and saturated, with growth dependent on increased per capita spending from existent patrons and organic growth in attendance of domestic and international adolescents. The nearing backdrop in consumer spending, along with the stagnating population growth in the industry's target demographic will sustain a flat growth rate moving forward – necessitating consistent CAPEX spends on rides & attractions, IoT, and sustaining licensing agreements.

Valuation

Our target share price of $44.83 is based on an EV/EBITDA exit multiple and perpetuity growth method used for our DCF, along with a comparable company analysis, weighed at 60% and 40% respectively. We initiate a **HOLD** rating on SIX – with an implied upside of 2.0%

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Equity Research	US
Price Target	**USD$ 44.83**
Rating	Hold
Share Price (March.22 Close)	USD$ 43.95
Total Return	2.0%

Key Statistics	
52 Week H/L	$50.56/$35.75
Market Capitalization	$3.78B
Average Daily Trading Volume	1.45M
Net Debt	$2.41B
Enterprise Value	$5.67B
Net Debt/EBITDA	5.0x
Diluted Shares Outstanding	86.18M
Free Float	83%
Dividend Yield	N/A

WestPeak's Forecast

	2021E	2022E	2023E
Revenue	$1.46B	$1.85B	$1.91B
EBITDA	$486M	$671M	$753M
Net Income	$171M	$336M	$399M
EPS	$2.00	$3.92	$4.65
P/E	21.8x	11.2x	9.4x
EV/EBITDA	13.8x	10.0x	8.9x

1-Year Price Performance

Business Overview/Fundamentals

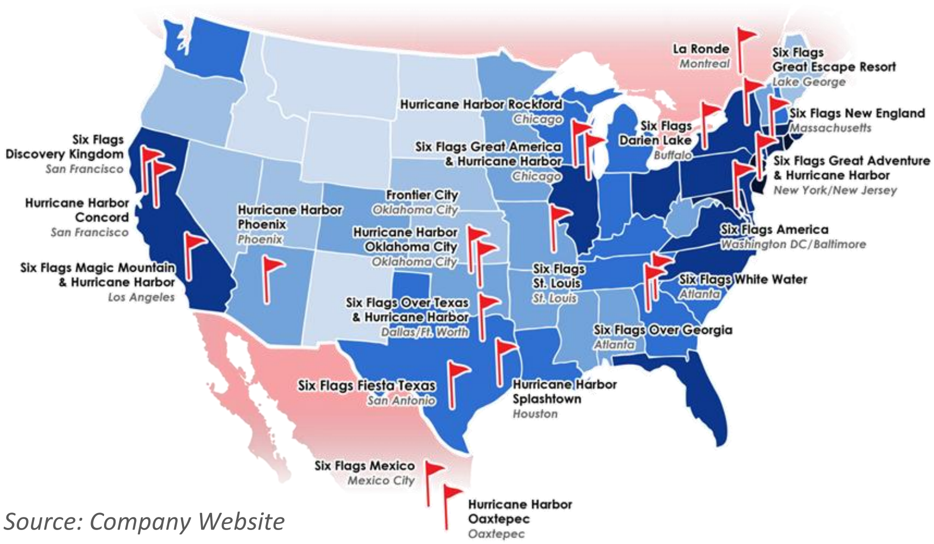
Company Overview

SIX is one of North America's leading theme park operators, providing state-of-the-art, thrilling, and nostalgic rides, unique attractions, concerts, shows, restaurants, and a family-oriented entertainment experience for 33 million park enthusiasts. The company operates 27 parks across 19 distinct and strategic locations within North America, covering highly designated markets including New York, Los Angeles, Chicago, and other attractive destinations for both domestic and international travellers. SIX offers the largest portfolio of "thrill rides" in the industry, operating 940 rides, and over 150 roller coasters.

Theme Parks

Strategic and Diversified Locations

The humble beginnings of one park, Six Flags Over Texas, in 1961, showed great promise, attracting over 500,000 guests during its first and short-lived season of 45 days. Currently servicing 33 million attendees, as per pre-COVID levels, SIX has strategic placements of 27 parks coast-to-coast, covering 11 of the top designated markets, with high serviceable populations within a 50–100-mile radius. SIX is the industry's most geographically diversified operator, capitalizing on its wide footprint. Operations across each distinct region allow SIX to hedge against regulatory risks regarding closures and exposure to inclement weather, which highly pose threat to park attendance and financial performance. Unlike industry competitors, SIX operates within closer distances to key markets, allowing its parks to be day-trip locations, unlike most destination-oriented competitors, such as Universal Studios and Disney (NYSE: DIS).



Source: Company Website

940 Rides

150 Roller Coasters

27 Locations

11 Designated Markets

The competitive supply of land zoned for theme park development allows for SIX to benefit from high barriers to entry. The long-lead times running north of four years, along with commitments of $500-$700 mm for regional parks of the company's scale, further amplifies such barriers.

Rides and Attractions

An aggregate five-year historical growth CAPEX of $130 mm, translating into a consistent 10% of revenues, displays the company's continuous efforts in investing in new rides, attractions, in-park accommodations, theming and landscaping, and IT infrastructure to enhance the park experience through digitalization. Improving the quality of rides and offering the industry's top-rated thrillers such as the *Wicked Clone, Zumanjaro, The New Revolution, Goliath, Kingda Ka*, and *Texas SkyScreamer*, all further bolster the company's brand equity.

Source: Company Website

Intellectual Property & Strategic Partnerships

SIX levers its access to globally recognized corporate partners and licensing to further enhance the in-park experience, which is one of the key determinants to perceived park quality. SIX Holds exclusive long-term licenses for usage of certain Warner Bros. and DC Comics characters throughout the U.S., excluding the Las Vegas Metropolitan Area, Canada, and Mexico. These agreements allow SIX to sell merchandise featuring well-recognized cartoon characters at its parks, use them in nationwide advertising, and also use walk-around characters & theming for rides, attractions, and in-park outlets.

SIX also focuses on strategic partnerships to provide its members with a larger breadth of branded product offerings, driving in-park sales growth, while packaging them into season tickets with discounted incentives including meals, snacks, and drinks. Key current and past partners consisted of Coca-Cola, Unilever, CN, Paramount, ICEE, and Activision. SIX continues to expand its portfolio of offerings by leveraging its national scale and localized affinity in operating markets with both National and Local partners. The most recent partnership with Starbucks in Q3 2021 was well-received, currently operating in 2 locations, which is set to expand and further improve the culinary experience at all locations.

Source: Company Website

Revenue Analysis

Revenues in the theme park industry are driven by admissions, in-park spends on food, beverages, & merchandise, and lastly sponsorships, accommodations, & international agreements. Three key metrics indicate performance: Park attendance, Admissions Per Capita (APS), and the In-Park Spends Per Capita (IPSC). SIX has historically derived 55%, 38%, and 7% respectively from each segment, unlike the industry average of 62%, 29%, and 9% (IBIS World) - emphasizing the importance SIX places on driving IPSC as a regional operator.

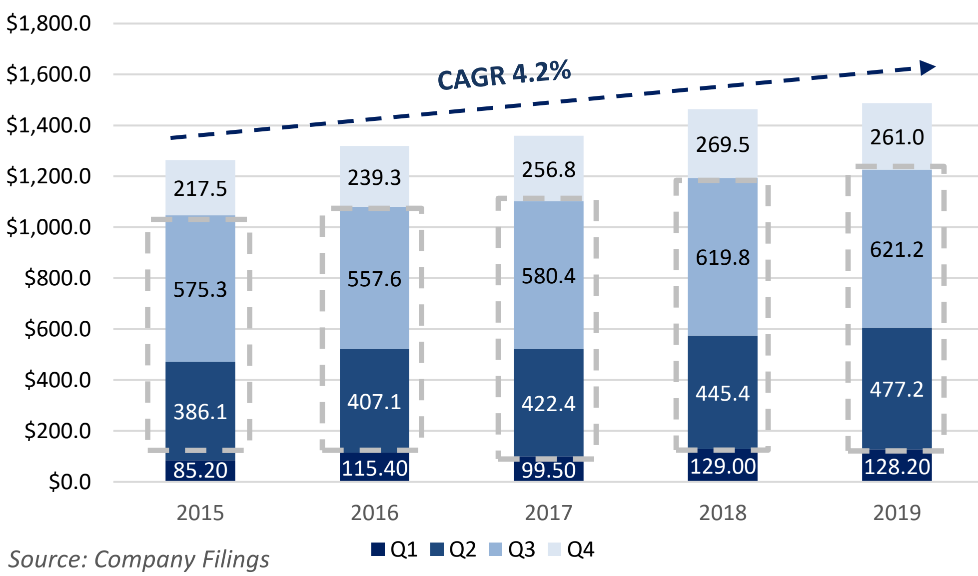
Admissions Revenue

The company's admissions consist of single-day tickets and Monthly Membership Programs that range across four tiers, along with a loyalty program. Members are referred to as the "Active Pass Base" (APB). These different tiers offer members the ability to earn points for in-park rewards redemption, gain access to all parks, discounts, and food and beverage perks.

Basic | Gold Plus | Platinum | Diamond | Diamond Elite

The APB is particularly crucial, due to the seasonality of revenues in the industry, where approximately 75% of park attendance and top-line revenues occur during the 2nd and 3rd quarters, falling between Memorial Day and Labor Day. Season pass holders contribute higher aggregate revenues across the year than a single-day ticket holder because of the multiple visits and increased in-park spends. Seasonal-pass holders made up 56% of attendees in 2020, along with 63% in both 2019 and 2018, with a sharp decline due to the pandemic. The APS has shown a three-year growth rate of 1.5% before the pandemic, experiencing abnormal growth upon the pandemic, experiencing 6.2% and on track to experience over 20% in 2020 and 2021 respectively. This is further reflected by admission revenues also experiencing a CAGR of 4.5% prior to the pandemic since 2016 – running upwards of $815mm.

Revenues: Quarterly Composition 2015 - 2019 (USD mm)



Source: Company Filings

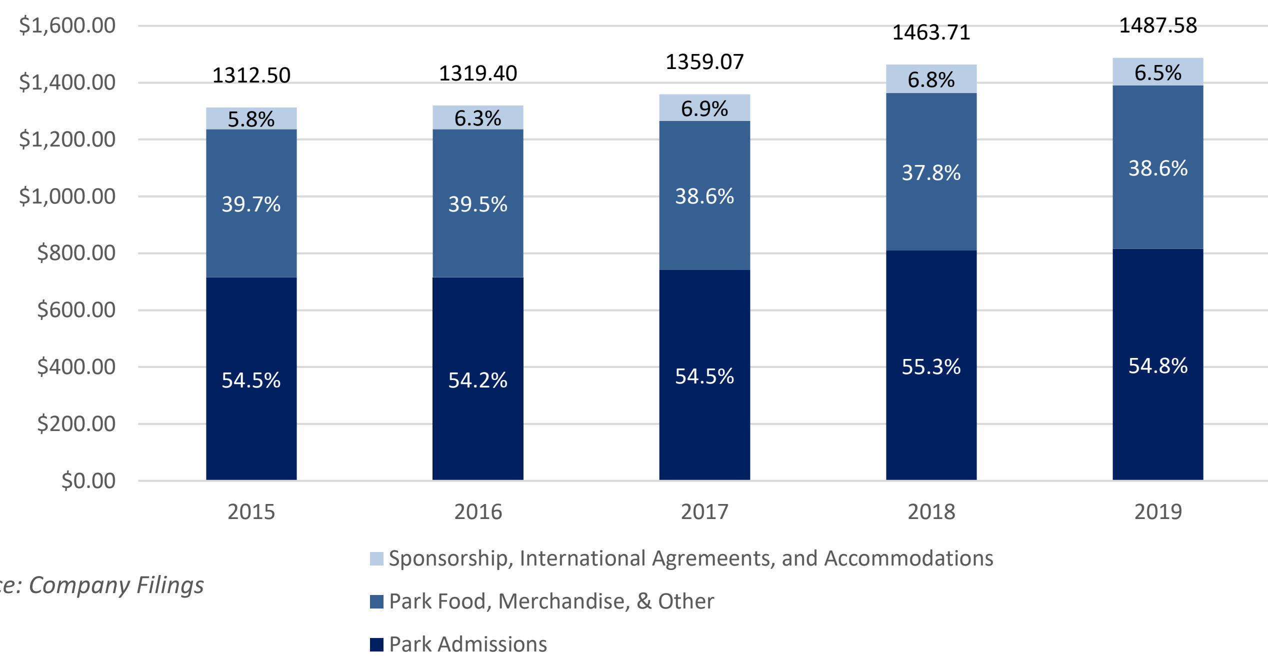
Park, Food, Merchandise, & Retail

SIX continues to optimize its retail and food & beverage strategy by engaging in strategic partnerships with key vendors, implementing new pricing architectures, and digitalizing the consumer experience to increase in-park spends. Prior to the pandemic, IPSC grew at an annualized 0.30%, remaining stagnant. Recent growth initiatives focused on recognizing consumer spending habits and product optimization, supplemented by the healthy spending environment have bolstered IPSC, exhibiting YoY growth of 23% as of Q3 2021 - surmounting a $23.23 IPSC.

Sponsorships, Accommodation, & International Agreements

In light of the COVID-19 pandemic, revenues from sponsorships, accommodations, and international agreements were heavily impacted. Closure and contract termination caused a $70 mm incremental loss, a YoY decline of 72% from FY 2019 – FY 2020. A portion of losses originated from the termination of contracts with Six Flags over China and Dubai reflecting a $13.90 mm reduction in revenues. This was also the loss of the company's only form of international expansion.

Segmented Revenue 2015 - 2019 (USD mm)



Source: Company Filings

Company Strategy & Growth Initiatives

SIX focuses on three key pillars to drive growth across attendance, IPSC, and APC: Digitalizing the guest experience, improving operational efficiencies, and pursuing financial excellence. The company has been making strides amidst the pandemic by focusing on digitalizing the park experience, which has proven to be a key driver for financial growth. The company's current initiatives are aiming to deliver $80 to $100 mm in incremental run-rate EBITDA once attendance levels reach pre-pandemic 2019 levels, currently on track to capture $30-$35 mm in 2021. Following the termination of the company's international contracts, SIX has quickly shifted to refocusing on building out its core domestic portfolio, as it navigates its way through the pandemic.

Modernizing the Guest Experience Through Technology

The proliferation of technology and its significance in enhancing the customer experience has been a focal point for SIX, as it continues to build its current mobile app, improve the digital dining experience, digitalize tickets, passes, and completely transition into a non-cash payment system. Consistent investment into building out the Six Flags Mobile App has opened access to a consumer database that has allowed it to tailor offerings to individual preferences. This CRM transformation has been most significant in the digital dining front, as it opened doors to optimizing key menu offerings to customers for in-restaurant pickup, allowing guests to avoid long lines, which has translated into an increase in basket size and per-transaction spends in 2021, reflected by the 16% growth in in-park spends when compared between Q3 2019 – Q3 2021.

Source: Company Website

Added a preorder f ood feature.

Ported the flash pass over to mobile.

Additional to optimized consumer baskets, SIX has seen double-digit growth in its highest-priced FLASH pass sales, after transforming completely into a mobile system, transitioning from its inconvenient previous form-factor. The digital FLASH pass allows customers to reduce ride wait times by simply scanning ride QR codes, allowing them to skip long lines for both picking up the previous form-factor pass and also by lowering wait-time latency.

Further amplifying the company's efforts to increase ticket yields through dynamic pricing, the ease-of-access and convenience to a digitalized FLASH pass has allowed SIX to capitalize on the phenomenon of price discrimination. The frictionless ticket and pass-purchasing experience has made it easier for SIX to access those with a higher propsenity to spend, especially on the company's most expensive item – the FLASH pass. The implementation of digitalized tickets and passes has materialized in 2021, as respective revenues, despite falling-short 2% of pre-pandemic highs has been achieved through 86% attendance rates as of Q3, supplemented by the high-spending environment.

The strong consumer spending environment, as reflected through record high IPSC is expected to moderate into the foreseeable future, however, still expected to far exceed 2019-highs, providing a runway for strong in-park revenues as attendance levels climb to 2019 levels. Given the highly saturated nature of the domestic market, SIX places emphasis on reducing friction by providing the digital and omnichannel park experience , as to bolster spends per existent capita.

Operational Efficiencies: Cost Initiatives

The company further focuses on reducing operating expenses and continuously expanding margins. Key initiatives look towards automating labour in parks and optimizing park-level variable labour through its new piloted model. Managing variable labour is emphasized through the seasonality of workers, with 94% seasonal and 6% full-time hires in 2020.

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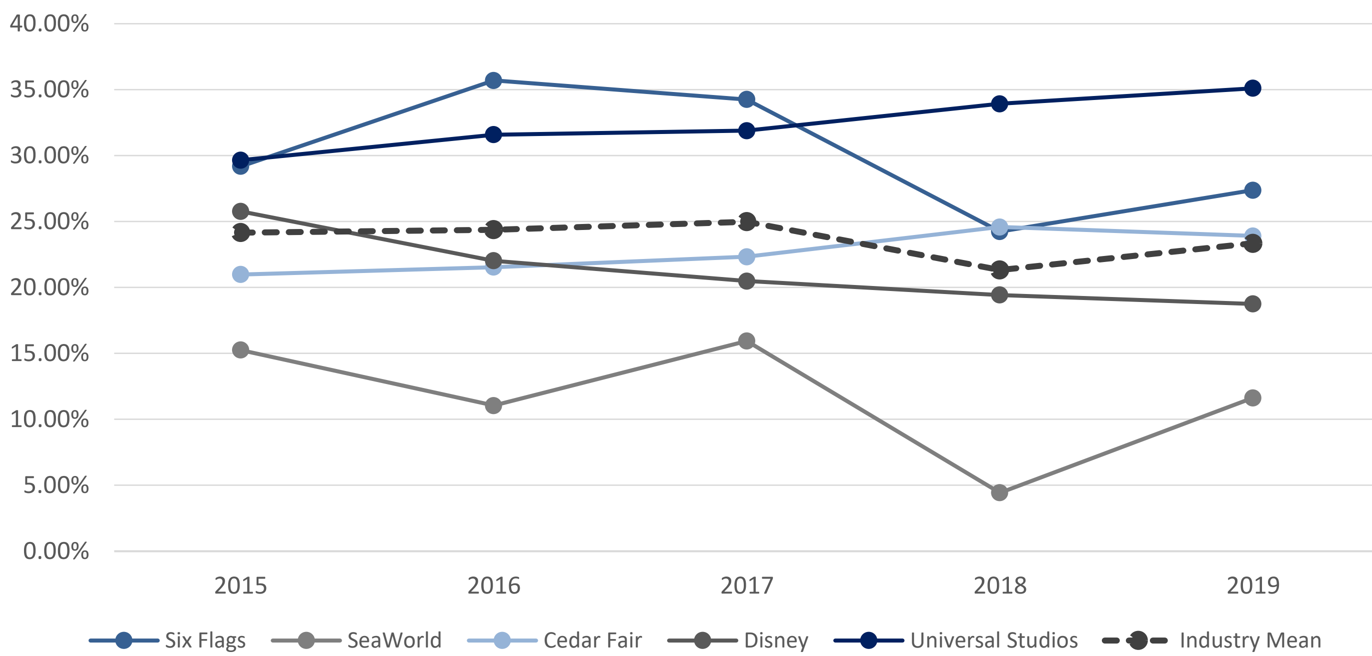
Efforts to reduce operating expenses in 2020 included cutting full-time headcounts by 10% through closing two satellite offices and negotiating procurement costs with key vendors, aiming to maintain consistent industry-leading margins. However, strong headwinds addressing labour costs pose a threat to incremental cashflows. SIX has maintained above-average operating margins for five-years, consistently pursuing cost-cutting initiatives, tied to aggressively digitalizing the park experience to reduce variable labour costs, reducing marketing spends, and negotiating with key suppliers to reduce procurement expenses.

Industry's Average Operating Margin vs Competitors



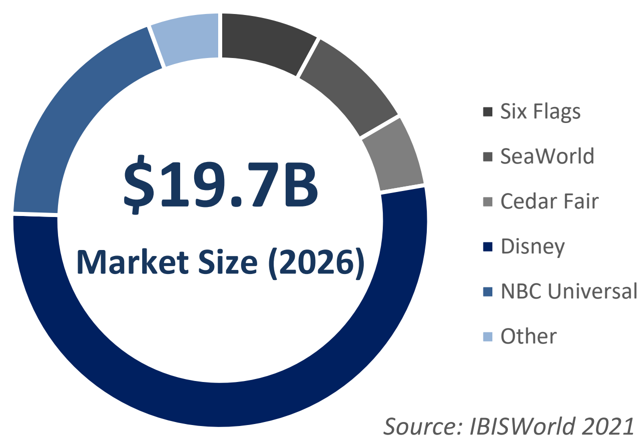
Industry Analysis

U.S. Amusement Park Industry

The amusement parks industry is a highly concentrated market, with 2021 market share being distributed between five key players, capturing 94% of market share as of Q3 2021. This concentration is further defined by the 5.8% annualized decline in operators from 2016 to 2021, totalling 374 current enterprises in the industry as of the current quarter – amplified by the industry's high operating leverage. COVID-19 caused unprecedented disruption in the industry, with 20 top players experiencing a staggering 72.2% decline in attendance, however, have made a sharp recovery in 2021 with SIX operating at 86% attendance rates as of Q3, from 2019 highs. Despite the 62.13% decline in industry revenue in 2020, we believe that over the next five years, the industry will grow at a CAGR of 9.8%, recovering pre-pandemic highs to 19.7 billion by 2026 (IBIS World). Amidst the rising concerns of newer variants, we remain optimistic about the steady recovery of the industry due to two key factors. First, the changed regulatory approach by the Biden Administration, of avoiding business closures as a combative option to variants. Second, the impact of new variant developments on regional operators poses a smaller risk than to destination parks, due to the localized and lower-commitment nature of attendance. We attribute this growth to come from key drivers, which are levels of disposable income, consumer spending habits, and lastly the number of adolescents ages 10 to 19, the industry's key demographic. Material evidence of our optimism on recovery can be found in the following analyses of drivers.

Internal Competition

The amusement park industry is a mature, concentrated, and saturated market, where success is driven by attraction and retention. The factors that determine park attractiveness are the following: Location, price, uniqueness and perceived safety and quality of rides and attractions in the park, the atmosphere and cleanliness of the park, the quality of park food and entertainment, and ease of travel to the park. The high upfront entry costs as mentioned before, running upwards of $500-$700mm to simply develop a regional park, not accounting for tight-zoning regulations, further supports the 94% concentration between the five key players.



Source: IBISWorld 2021

SIX, is in a unique position, wherein destination operators capitalize on their ability to tell a story by heavily leveraging exciting rides backed by exclusive licensing of fan-favourite characters, however, Six Flags, as a regional operator, differentiates itself from competing regional operators such as Cedar Fair LP and SeaWorld, by also providing unique theming through their DC and Warner Bros. licenses. Regarding the ease of travel, regional parks aim to provide a location advantage compared to destination parks such as Disney and Universal. Regional parks focus on providing ease of access, usually in the form of providing more parks and locations closer to serviceable markets. This is further supplemented by providing competitive pricing for admission rates by offering discounts and promotions, with guests associating tickets with great value.

Lastly, the industry has been experiencing a rapid transition in CAPEX spends, as it has been gearing towards IoT expansion (Internet of Things). SIX has claimed market leadership ahead of primary regional competitors Cedar Fair LP and SeaWorld Entertainment, bolstering its mobile-app functionalities and following Disney's omnichannel approach to the park experience. We believe the integration of IoT into the guest experience has been quickly necessitated by both internal and external competitors – if operators want to remain afloat and capture as much of the limited growth. IoT and the use of technology in the amusement park industry have now become a tool for operators and not a unique competitive advantage as perceived five years prior.

External Competition

Although destination parks experience less exposure to competition from other forms of entertainment, regional parks, due to their proximity to metropolitan and urban areas, along with cost-leader strategies face fierce external competition. Key competitors consist of all alternative ways consumers choose to spend their leisure time, such as live sporting events, music and food festivals, movie theatres, and other forms of outdoor activities. During economic contractions, however, regional theme parks can boast their resiliency due to lower operating expenses relative to their lower pricing strategy, which maintains their customer base, and stability during normal economic circumstances. The quick recovery in park attendance, along with its increasing active pass base (of 3% YoY), further supports SIX's claims on economic resiliency and customer loyalty – following the regulatory lifts punishing non-essential businesses.

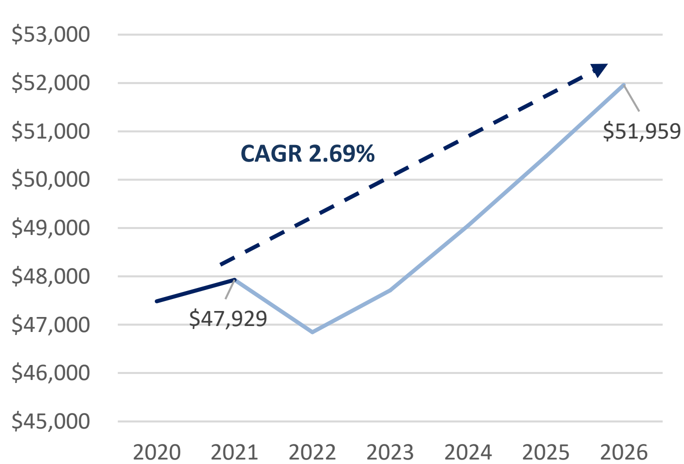
Drivers

Consumer Spending and Income

The leisure subsector, falling under consumer discretionary, largely depends on the availability of disposable income. Disposable income saw healthy growth from 2015-2019, with a surge caused by low-interest rates and high levels of capital. Despite more recent pandemic-induced volatility, and yet much higher average levels of disposable income, periodic lows are still above expected rates under pre-COVID growth projections. However, amidst uncertainty around inflation and the Ten-year treasury interest rate climbing to near-term highs, currently, at 1.766% (CNBC), the believe current market sentiment indicates a moderation in consumer spending soon, as estimated by IBISWorld analysts. While the market braces for multiple interest hikes, the nominal change in wages along with lower-than-expected unemployment rates, maintain purchasing power and for the time being, sustains the high levels of disposable income as seen during the pandemic. Following the nominal wage inflation, although spending increased, operators have also felt the increase in seasonal wage rates through contracting margins. SIX anticipates this to materialize through an incremental cost of $40 mm in 2021, reducing its target run-rate EBITDA of $600 mm to $540.

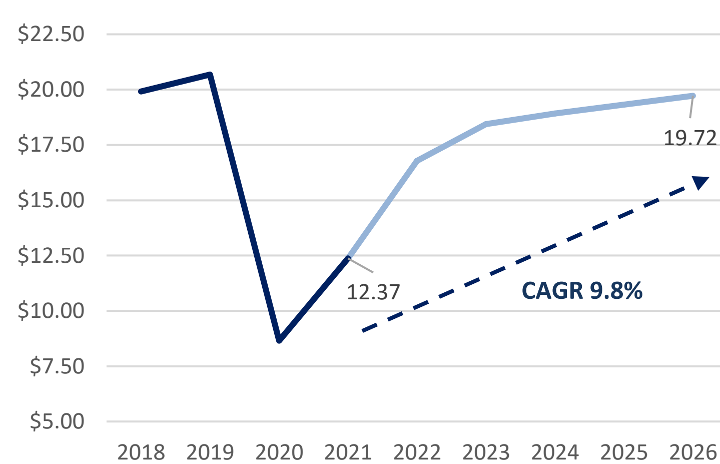
Per capita disposable income is expected to rise at an annualized rate of 2.69% over the next six years to 2026 (IBIS World). This phenomenon materialized through growth seen in the IPSC as per the company's performance, along with the 3% growth in the Active Pass Base from 2019 highs, surmounting near 7.6 million members – indicating high levels of pent-up demand.

Per Capita Disposable Income Forecast (5Y)



Source: U.S. Bureau of Economic Analysis

5Y Market Size Forecast (USD bn)



Source: IBISWorld 2021

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Target Populous: Ageing Adolescents

The target demographic within the theme park and waterpark industry are the guardians of children and adolescents ranging from as young as 10, up to 19. Current forecasts according to the Census Bureau, estimates that adolescents are to account for roughly 12.4% of the US population in 2022. It is also projected that the marginal number of adolescents will decline, as it has remained relatively stagnant the past five years, with a CAGR of -0.04%, standing at around 41.77 million adolescents. Despite the anticipated stagnancy in the primary demographic, the robust recurring revenue model of seasonal passes in the theme park industry, along with continuous attraction additions, has yet to see stagnating or declining growth, even during pre-pandemic times. We explicitly see this with SIX; a regional operator who experienced YoY consistent growth, growing up to $1.5 billion, prior to the pandemic in 2019. We anticipate the company's high customer retention and loyalty, along with industry leadership allows penetration into similar markets that have yet to experience US theme parks and waterparks – which has yet to be executed by Six Flags, as it focuses on reinvesting in its current core business across North America. We remain cognizant of the sensitive nature to brand equity and customer loyalty, however, also believe that SIX's resilience through the pandemic has been a testatement to customer loyalty.

Summary of Findings:

The industry's growth prospects (an anticipated five-year recovery to 2019 highs), maturity, and high concentration indicate that SIX operates in a market with little optimism for the foreseeable growth in the total available market. Increasing cashflows would be derived from leaner management (by finding operational efficiencies), increasing the IPSC of the existing loyal customer base, or by capturing new market share from competing regional or destination operators. These findings affirm the company's solid strategic positioning as it focuses on increasing per capita spending through park digitalization, which has already proven to be a strong determinant to its recovery and outperformance, reinvesting in new attractions by maintaining consistent CAPEX of 10% of revenues, sustaining its licensing agreements, and pursuing cost-cutting initiatives. However, some concerns around reduced marketing efforts (as of FY2020's reduction in advertising spends) may pose some concern to attracting new guests, especially during times of sub-optimal attendance levels of patrons within competing parks.

Environmental, Social, and Corporate Governance (ESG)

Environmental Responsibility

As the industry's largest regional operator, SIX has remained conscious of the high volume of resource and waste production pertaining to entertaining their guests. The company has made claims on making meaningful advancements on energy management, water conservation, waste reduction, recycling, and more recently, adopting solar power throughout operations, as to reduce greenhouse gas emissions. Due to the relatively new implementation of new initiatives, such material effects to the financial performance of SIX has yet to be determined. However, we believe keeping the project lifespans in mind, it will surmount to a significant advantage for SIX, regarding both its ability to position itself as a green operator, and also the financial benefits resulting from resource reduction.

Solar Power capabilities were developed in two parks, Six Flags Great Adventure and Six Flags Discovery Kingdom. Current plans indicate that SIX will integrate a third solar-generated park by Q1 2022, anticipating capacity across the three parks to generate more than 42 megawatts (MW). SIX has led the frontier in solar adoption within regional operators, while also realizing savings of more than $1 mm and $750 thousand in the two parks respectively – with a 30-year total expected project life. SIX currently operates under 20.1% in renewable energies, far outpacing all competitors.

Waste, water, and recycling management strategies have consisted of converting restrooms to contactless fixtures, replacing all paper towels with air dryers, and making partnerships with key vendors to launch new initiatives. A recent partnership with the Coca Cola Company initiated a recycling program to divert plastic and aluminum products from entering landfills. Furthermore, Six Flags Over Texas is currently undergoing testing of a new waste disposal system, currently reducing 90% of all landfill waste generated.

Sustainable Packaging has been a focal point due to recently increased consumer spending on in-park product offerings, such as food and other branded merchandise. SIX has engaged in sourcing sustainably made products for all dining facilities, including compostable containers and cutlery, and transitioning towards straw-less cups.

Social Responsibility

The company's unique offering of Six Flags Wild Safari and Discovery Kingdom impose concerns surrounding animal welfare and fair treatment – currently conserving 1200 animals at the two parks alone. SIX voices that the primary missions of these parks are solely to (1) Inspire future generations to conserve animals and their habitats (2) Provide an entertaining and educational experience for attendees. Abiding by the highest of animal-care standards, SIX is a member of the Zoological Association of America (ZAA) and are federally regulated by the United States Department of Agriculture (USDA). Furthermore, their animal facilities and treatment processes are all within compliance with the USDA inspection requirements.

SIX further emphasizes the importance of sustainable sourcing of raw materials, foods, and merchandise. The company's internal supply chain management operating procedures focus on one primary vendor criteria – strict waste disposal requirements. We, however, believe there is room for progress in the company's approach to social responsibility – ethical and responsible production of said goods and merchandise. SIX has focused on waste disposal and sustainable product sourcing, however, their consideration for ethical production and scrutinizing the wall behind the vendor's production and sourcing practices is something that the company has yet to voice progress on.

Corporate Governance

SIX aims to undergo periodic board refreshments as to provide diversity in not only race, gender, ethnicity, and age, however, in opinions. With six of seven board members being independent, there is a 33% female representation, along with another 33% ethnic diversity rate. We believe SIX has kept true to its values in perspective diversification, with six of seven being independent outsiders of the company. The company also strives to ensure senior leadership diversity, with current ethnic diversity falling short of 30% and female representation short of 50%. We believe although improvements in ethnic diversity can be improved on, such progress comes with more periodic refreshments in leadership – which the company has recently began focusing on.

According to widely regarded ESG ratings from Refinitiv's Sustainalytics, SIX remains at an environment risk score of 14.0, Social risk score of 11.9, and a Governance risk score of 3.9, surmounting to an ESG score of 29.8. The weighted controversy score is below the industry average of 2.2, with SIX maintaining a 2.0. Furthermore, key competitor Cedar Fair LP (NYSE: FUN), maintains an ESG score of 31.72, making SIX a more sustainable operator.

Catalysts

Reduction of Incremental Revolving Credit Commitments

In the wake of COVID-19, SIX amended their credit facility by increasing incremental revolving credit commitments by $131 mm in 2020, from $350 mm to $481 mm. In an attempt to bolster liquidity, they also added in the covenant to suspend the Share Repurchase Program and payment of dividends until December 31st, 2022, or until the credit facility reduces incremental revolving credit commitments back to $350 mm. The currently suspended Repurchasing Program permits an incremental repurchase of $231.7 mm in shares. If the revolving credit commitment is decreased prior to the expected unsuspension date, the impact of resuming the program would result in a lower outstanding share count, resulting in a higher relative stake per share. We believe it would be reasonable to assume it would precipitate an increase in share price.

Anticipated Interest-Rate Hikes May Spur Near-Term M&A

After the termination of two international expansion initiatives (Six Flags over China and Dubai), SIX refocused on building out its core domestic portfolio and earnestly navigating through the current pandemic. Following the termination of expansion efforts and capital distribution to investors, SIX currently sits on a record $390 mm in cash, maintaining its highly liquid position. Given the surprisingly quick recovery in attendance, optimistic outlook despite variants, low-interest rates, access to excess cash, and soon-to-hike fed rate, it may indicate a nearing acquisition for SIX.

In 2019, SIX made an offer to acquire Ohio-based competitor Cedar LP (NYSE: FUN) for $4 billion, at a target share price of $70.00, however, was quickly turned down. Despite the rejection, CFO Sandeep Reddy voiced that the company is "always looking at opportunities". Acquisition of Cedar LP would mean a 5.7% gain in market share, quickly making SIX a direct competitor to leading destination operators Disney and Universal, ranking SIX the third-largest market player. Taking into account SIX's precedent attempts of acquiring a competitor, its current liquidity position, the urgency to accelerate M&A endeavours, and lastly, no current initiatives to drive market expansion, we believe SIX may engage in an acquisition. Given the highly concentrated and saturated industry, such strategic acquisition would be a major driver in top-line sales, bolstering free cashflow growth, resulting in a higher share price.

Management Team

Selim Bassoul – President and Chief Executive Officer

Selim Bassoul was appointed President and Chief Executive Officer in November 2021, replacing Michael Spanos. With a sudden change in management, Bassoul served as a director and as the Non-Executive Chairman of the Board from February 2021 to November, before he took over. Prior, Bassoul served as President and Chief Executive Officer, and Chairman of Middleby Corporation, a manufacturer of foodservice and processing equipment, from 2004 to 2019. He also served on the boards of Confluence Outdoor, Piper Aircraft, Inc., and Scientific Protein Laboratories LLC. Bassoul holds a Bachelor in Business Administration from the American University of Beirut, and an MBA in Finance and Marketing from Kellogg School of Management at Northwestern University.

Due to Bassoul's current short-lived tenure, we anticipate that his compensation will be similar to prior Chief Executive Officer Michael Spanos'. Spanos in 2020, reported a base salary of $939,916 (12.9% of total compensation), and a Stock Awards of $6,306,400 (87.1% of total compensation). Bassoul, recorded December 14th,2021, held a 0.63% position in Six Flag's common stock, amounting to a current market value of $22,844,599.

Sandeep Reddy – Executive Vice President and Chief Financial Officer

Sandeep Reddy joined Six Flags as the Executive Vice President and Chief Financial Officer in July 2020. Prior, Reddy served as the Chief Financial Officer of Guess, Inc. the contemporary clothing and accessories retailer from July 2013 to December 2019. Before his service at Guess, Reddy served as Vice President and European Chief Financial Officer of Guess for 1 year in 2010, covering financial planning, treasury, accounting, and tax. He started his career in 1997 with Mattel Inc., a leading global toy manufacturer, ultimately serving as the Vice President of Finance and Supply Chain for the European cluster into 2010. Reddy holds a Bachelor of Honors in Economics from Delhi University and an MBA from Cornell University.

In 2020, Reddy's reported base salary was $240,000 (11.8% of total compensation), and his Stock Awards was $1,800,000 (88.2%). Reddy, as of March 8th, 2021, held a 0.11% position in Six Flag's common stock, amounting to a current market value of $4,168,089.

Management Findings

The sudden change in management from Michael Spanos to Selim Bassoul caught all investors by surprise, given Spanos' and Reddy's successful efforts in navigating SIX through the pandemic – having paved a clear road back to park attendance and revenue recovery. Despite the surprise, it is a welcoming change, as Bassoul carries a long history of performance-driven management. During his 15 years with Middelby, Bassoul increased company revenues from $100 mm to $2.7 billion, operating income from $12 mm to $535 mm, and drove market capitalization from $100 mm to over $6 billion. His experience with driving top-line growth and pinpointing operational efficiencies, we believe will translate into free cash flow growth for SIX moving forward. Furthermore, Bassoul is currently tied to 246,426 in RSUs and 50,000 to 1,200,000 PSUs determined over a three-year horizon, which we believe will drive his commitment to the company's financial excellence. We believe the performance-driven compensation structure, along with their experiences are well aligned with the company's best interest.

Shareholder Base, Liquidity, Market Depth

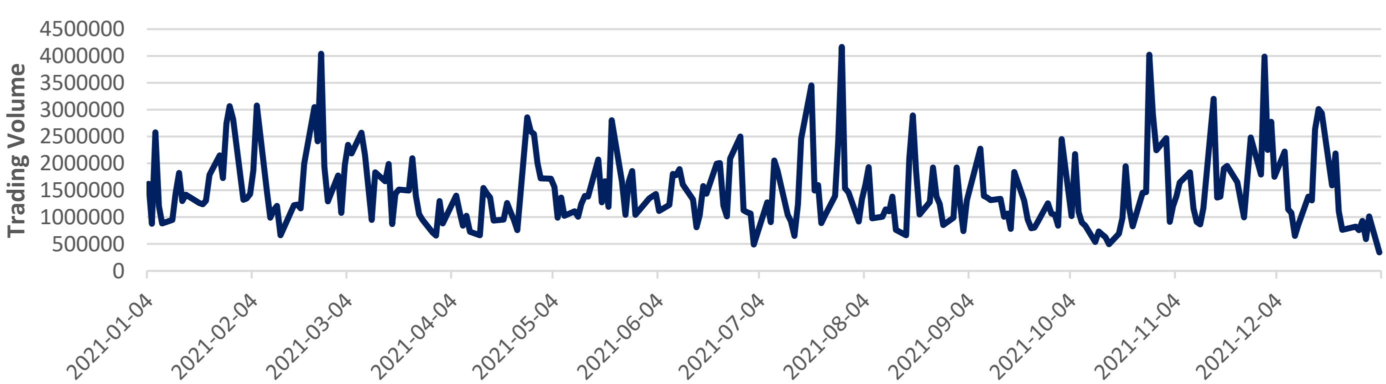
Shareholder Base

Of the 85,983,101 shares outstanding, SIX has a free float of 71,121,888 shares, accounting for roughly 82.71%. Institutions make up roughly 87.5% of the free float. H Partners, is an investment management firm with a cooperation agreement, rendering the firm a part of the Board of Directors, Nominating and Corporate Governance Committee, and the Compensation Committee. Insiders account for roughly 1.63% of shares outstanding.

Holder	Position	% Shares Outstanding	Market Value (mm)	Insider (Y/N)
H Partners Management LLC	8,925,000	10.38%	380.03	Y
Vanguard Group Inc.	7,225,974	8.40%	307.68	N
BlackRock Inc.	6,787,807	7.89%	289.02	N
Reid-Anderson James (Previous CEO)	3,975,651	4.62%	169.28	N
Capital Group Cos Inc.	2,986,240	3.47%	127.15	N
Citadel Advisors LLC	2,241,891	2.61%	95.46	N
Ninety One UK Ltd	2,169,069	2.52%	92.36	N
Wellington Management Group LLP	2,122,644	2.47%	90.38	N
Premier Miton Group PLC	2,101,912	2.44%	89.50	N
State Street Corporation	2,028,278	2.36%	86.36	N
Top 10 Shareholders	40,564,466	47.16%	1727.22	

Liquidity

The daily trading volume of shares during the last twelve months (LTM) averaged 1,497,085, translating to a low of $46,229,984 and a high of $77,474,148 in dollar volume. With most high-volume trading days being earnings seasons, its relatively high LTM trading volume against its free float of 71,121,888 indicates healthy liquidity.



Valuation

Discounted Cashflow (DCF) Assumptions

Revenue Forecast

Our revenue forecasts are driven by four key variables. Park attendance growth, Admissions Spends Per Capita growth (APS), In-Park Spends Per Capita growth (IPSC), and lastly growth in sponsorships, accommodation, and international agreements. We remain optimistic about the recovery of attendance levels and anticipate a growth of 24% in attendance during 2022, which will reflect a 3% increase from 2019 highs. Current attendance trends indicate a swift recovery to 2019 highs in 2022, as discussed within management, however, we believe baking in the current organic increase of 3% across both single-day and APB guests depicts a clearer picture of expected attendance. Over the long term, we forecast a 2.0% annual growth in attendance, short of its 3.5% historical mean, due to the marginal decline in the adolescent population, reduced advertising spends, and no clear trajectory in market expansion.

After a heightened 13% growth in Q2 2021, APS growth quickly moderated to 2.8% in Q3, with management stating it will likely continue to moderate as we head into 2022. We attribute much of APS growth to the digitalizing efforts made by SIX to optimize ticket pricing, along with the tailwinds caused by the high inflationary environment. Management believes APS and to moderate into 2022, and we also believe that the pandemic-induced growth will experience rapid deceleration with the backdrop in consumer spending. We forecast a Q4 2021 and going concern growth of 2.5% beginning 2022, which translates to a plateau roughly 1% above pre-COVID historical growth. Given the low 0.30% historical growth rate in IPSC until 2019, we believe the recent IPSC growth (of 6.3% and 26% in 2020 and 2021 respectively) is largely supported by the aforementioned external tailwinds. We believe 2022 IPSC growth will taper to half of 2021 rates as the spending environment moderates into the New Year and experience a 2% growth rate on a going concern, following 2023. We believe recent initiatives to digitalize in-park services are the key driver that will allow for IPSC to experience growth levels tangent to per capita disposable income growth. We forecast sponsorship revenues to recover to its 2019 high over a five-year horizon, as Reddy has voiced a slow recovery of this segment. We anticipate a gradual decrease in growth, running a 30% increase in 2022, 20% in 2023, and an eventual plateau to 10% on a going concern, which will bring sponsorship revenues back to 2019 highs. This remains consistent with the street's and management's beliefs of a gradual tapering, as attendance moderates into consistent growth rates in 2023. The following assumptions lead to a five-year CAGR of ~7.1% in revenue.

Cost of Goods Sold (COGS)

The cost of goods sold as a percent of revenue has historically ranged between 8.1% and 8.6%. We forecast a 9% of revenues rate due to uncertain supply chain constraints, and a taper to 8.6% 2022 onwards, the historical mean.

Selling, General, & Administrative Expenses (SG&A) & Operating Expenses (OPEX)

We forecast an SG&A of 18.3% of revenues in 2022, which was calculated using the historical mean, excluding 2020, deemed an outlier. We assume a 17% rate in 2023, followed by a 16% on a going concern as procurement and cost-cutting initiatives are fully executed by 2023. For OPEX, we have determined a 37% of revenue forecast for 2022, the historical mean, which shows high consistency with revenues. 2023 onwards, we anticipate it to taper to 35% of revenues, as SIX improves their current variable labour optimization initiative. We have baked in an incremental $40 mm into our 2021 Q4 projection to reflect the discussed incremental effects of wage inflation.

Capital Expenditures (CAPEX)

SIX Flags has consistently voiced that it believes a 9-10% of revenues is an appropriate level of CAPEX spends for the industry. While this may change under Bassoul's leadership, the company's historical CAPEX indicates alignment with its claims, with the past five-years ranging between 9.3% and 9.9% of revenues consistently. Furthermore, recent international expansion terminations create further visibility in FCF projections. Lastly, baking in increased efforts in investments in IT infrastructure, we project a CAPEX of 10% of revenues over the next five years.

Effective Tax Rate: We assumed a 23.1% effective tax rate, based on the company's historical mean.

Weighted Average Cost of Capital (WACC)

The WACC was calculated to be 9.0% for SIX, derived by taking the weighted average of the costs of equity and debt. We determined a 1.73% pre-tax cost of debt, extracted from the US 10-year Treasury note, reduced at the effective tax rate of 23.1%, resulting in a cost of debt of 1.3%. The market's expected rate of return of 10.4% and the company's adjusted beta of 1.50 (pulled from Bloomberg) was used to calculate a cost of equity of 14.7%. The 14.7% cost of equity and 1.3% cost of debt was used to calculate a WACC of 9.0%.

Perpetuity Growth Rate

For the perpetuity growth rate, we assumed a 2.0% growth rate, reflecting both the limited industry growth prospects and SIX's unique leadership position as a regional operator.

Terminal EV/EBITDA Multiple

We applied a 9.0x EV/EBITDA 2022E exit multiple for the five-year terminal value projection. This multiple was derived from the median across comparable companies in the industry.

Comparable Companies Analysis Set

The comparable companies were chosen based on similar target demographics, geographics, market capitalization, and performance drivers. Furthermore, we expanded beyond the amusement park industry, due to the aforementioned external competition that uniquely faces regional operators. Our set returned an EV/EBITDA implied price of $74.54 and P/E implied price of $49.52.

Cedar Fair LP (NYSE: FUN): Cedar Fair is a regional amusement park operator that competes directly with SIX in North America. As one of the largest regional operators in the world, the company owns and manages 15 amusement parks, water parks, and complementary resort facilities. Properties include their flagship Cedar Point on Lake Erie in Ohio; Knott's Berry Farm in Buena Park, California; and Michigan's Adventure near Muskegon, Michigan. Cedar Fair parks draw approximately 28 million visitors annually.

SeaWorld Entertainment Inc (NYSE: SEAS): SeaWorld Entertainment is a theme park and entertainment company delivering personal, interactive, and educational experiences focused on imagination and nature. Similarly operating for over 50-years, SeaWorld operates 12 destination and regional theme parks in key markets across the United States.

Cineplex (TSX: CGX): Cineplex is a Canadian brand that operates in the film entertainment and content, amusement and leisure, and media sectors. Managing over 1,665 screens across 160 theatres across North America, it operates under iconic brands such as Cineplex Partnership, Galaxy, and Famous Players.

Recommendation

Hold

Current industry tailwinds suggest a quick recovery back to 2019 attendance highs, all while major regional operators such as SIX experienced heightened in-park spends due to the healthy spending environment. We believe that SIX is positioned to restore historical FCF highs moving forward in the next five years. We attribute this to its gradual and successful transition into digitalizing the park experience, optimizing consumer spending baskets, and in return has and will continue to experience sustainable in-park spends per capita growth, however, not as rapid as experienced during 2021. Furthermore, we believe the cost and digital growth initiatives, are more than anything, a necessity to be able to sustain and capture the limited growth in the market.

Despite recent tailwinds, we believe the eventual normalization of economic conditions will moderate the unprecedented growth experienced during 2021, as SIX heads into a growth taper inducing a flat rate across its per-capita growth rates, attendance, admissions, and in-park spends. We believe the market has already priced in the expected stagnancy in market growth, restoration of 2019 highs and pursuant of sustainable growth tangent to per capita disposable income growth.

We have weighed our valuation on a 60/40 split between the discounted cash flow analysis and comparable companies analysis. The reason for this weighing is because we believe some peer groups have recently been experiencing more earnings volatility (however, forecasted to moderate into 2022), while SIX has seen more consistency over the years, excluding 2020, which have reflected similar target prices congruent to its intrinsic valuation. Issuing a target price of $44.83, with an upside of 2.0%, we initiate a hold rating for Six Flags Entertainment Corporation.

Risks

COVID-19 Restrictions

The amusement park industry suffered the greatest loss during the initial spread of COVID-19, having to suspend all operations due to mandates. Despite 2021's steady recovery, regulations on travel, social conduct, business operations, including mass quarantine and social distancing mandates are still of high risk to SIX. Operating below capacity further makes the company prone to losing their loyal customer base, especially if efforts are not made to retain the APB during periods of reduced attendance.

Sensitivity to macroeconomic factors: Demand and Competition

Despite regional operators' boasting of economic resiliency, macroeconomic conditions still pose risk to aspects of revenue-generation, such as in-park spends – which SIX heavily relies on. Consumer confidence, disposable income, tax rates, and unemployment are key drivers that influence both demand and spending habits. Economic contractions can also accelerate shifts in consumer taste and preference towards disruptive alternatives, as seen through virtual alternatives during the pandemic. Furthermore, pricing power risk is far more prevalent to regional operators during contractions due to their larger exposure to external competitors.

Inclement or extreme weather conditions and forecasts

Offering nearly all core products outdoors, inclement weather and or extreme conditions negatively affect attendance. Consistently posing a threat to operators, increasing concerns of unprecedented weather conditions and natural disasters caused by global warming, hover over the industry. Recent trends in heightened wildfire exposure in designated market such as Texas, California, Florida, and Western states, causes great concern for operators with a wider and diversified footprint, such as SIX.

Guest retention reliance on park improvement: Rides, Attractions, and in-park Offerings

Operating in a saturated and concentrated market intensifies the company's need to continuously make capital investments in new rides and attractions and build out its portfolio of in-park offerings. If unable to locate third-party manufacturers for new rides, build and retain new strategic partnerships, or fund such investments, it would adversely impact both attraction and retention of guests. Furthermore, key licensing partners such as Warner Bros. have the right to terminate agreements under certain material circumstances, such as default under the Subordinated Indemnity Agreement. Loss of the park's key driver of perceived quality would be detrimental to performance.

Litigation and insufficient insurance coverage

The cause of litigation and the need for extensive coverage stems from a wide range of possibilities in the industry. Ranging from the sale of food, toys, and retail products, possible accidents and casualties from operating rides and attractions, widespread food-borne and air-borne illnesses, or accidents caused by competing operators, all are key possible drivers of litigation. The company's safety and prevention programs, along with property and casualty insurance may not be enough to cover certain risks. Additional to the monetary loss is the effects on reputation and perceived park safety, which is one of the key determinants to park preference.

Seasonality of operations

The seasonality of operations amplifies the adverse effects caused by aforementioned risks, as operations during the second and third quarters account for 75% of top-line revenue. Furthermore, with 94% of the company's workforce being seasonal hires, an inability to hire enough personnel during peak seasons is an ongoing risk. Tied to the employee demographic, is the risk of rising wages as seen during 2021, on-track to cost an incremental $40 mm in operating expenses. Furthermore, SIX faces higher legal scrutiny due to the large pool of seasonal hires who are subject to child labour laws.

Appendix 1: Summary Page

	Dec-16	Dec-17	Dec-18	Dec-19	2020-12-31	2021-12-31	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**
Income Statement											
Revenue	1,319,398.0	1,359,074.0	1,463,707.0	1,487,583.0	356,575.0	1,460,663.8	1,859,741.4	1,912,483.9	1,961,474.1	2,012,135.3	2,059,197.9
EBITDA	426,698.0	577,757.0	635,012.0	550,294.0	(214,565.0)	486,496.0	671,628.8	753,518.7	792,435.5	812,902.7	831,915.9
Net Income	156,727.0	313,026.0	316,003.0	219,818.0	(382,092.0)	171,054.1	336,855.9	399,850.9	427,451.6	440,789.9	452,932.8
Earnings Per Share	$ 1.25	$ 3.09	$ 3.23	$ 2.11	$ (4.99)	$ 1.97	$ 3.86	$ 4.58	$ 4.90	$ 5.05	$ 5.19
Cash Flow Statement											
Capital Expenditures	(129,258.0)	(135,219.0)	(135,624.0)	(143,913.0)	(100,878.0)	(146,066.4)	(185,974.1)	(191,248.4)	(196,147.4)	(201,213.5)	(205,919.8)
Acquisitions	(890.0)	-	(19,059.0)	-	-	-	-	-	-	-	-
Divestitures	2,212.0	4,533.0	71.0	1,050.0	7,470.0	46.0	-	-	-	-	-
Dividend Payment	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Per Share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Payout to Earnings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Payout to Core FCF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Yield	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Balance Sheet											
Current Assets	278,791.0	221,072.0	241,929.0	376,240.0	306,740.0	461,522.3	761,997.3	1,105,151.9	1,474,698.0	1,855,721.1	2,247,225.5
Non-Current Assets	2,208,881.0	2,235,604.0	2,275,399.0	2,506,300.0	2,465,951.0	2,488,412.5	2,543,861.9	2,602,318.7	2,662,649.4	2,724,924.1	2,788,682.3
Assets	2,487,672.0	2,456,676.0	2,517,328.0	2,882,540.0	2,772,691.0	2,949,934.8	3,305,859.1	3,707,470.6	4,137,347.4	4,580,645.2	5,035,907.8
Current Liabilities	315,952.0	297,840.0	368,360.0	339,732.0	452,405.0	419,954.7	439,023.2	440,783.8	443,209.0	445,716.9	448,046.7
Non-Current Liabilities	1,872,334.0	2,169,517.0	2,266,790.0	2,729,668.0	2,955,457.0	2,984,709.0	2,984,709.0	2,984,709.0	2,984,709.0	2,984,709.0	2,984,709.0
Liabilities	2,188,286.0	2,467,357.0	2,635,150.0	3,069,400.0	3,407,862.0	3,404,663.7	3,423,732.2	3,425,492.8	3,427,918.0	3,430,425.9	3,432,755.7
Shareholders' Equity	(186,490.0)	(505,112.0)	(643,093.0)	(716,118.0)	(1,158,547.0)	(997,678.9)	(660,823.1)	(260,972.2)	166,479.4	607,269.3	1,060,202.1
Cash	137,385.0	77,496.0	44,608.0	174,179.0	157,760.0	273,765.7	536,541.9	872,730.6	1,236,323.0	1,611,189.3	1,996,974.3
Debt	1,872,334.0	2,169,517.0	2,266,790.0	2,541,519.0	2,768,025.0	2,808,039.0	2,808,039.0	2,808,039.0	2,808,039.0	2,808,039.0	2,808,039.0
Net Debt	1,734,949.0	2,092,021.0	2,222,182.0	2,367,340.0	2,610,265.0	2,534,273.3	2,271,497.1	1,935,308.4	1,571,716.0	1,196,849.7	811,064.7
Minority Interests	485,876.0	494,431.0	525,271.0	529,258.0	523,376.0	542,950.0	542,950.0	542,950.0	542,950.0	542,950.0	542,950.0
Debt/EBITDA	4.1 x	3.6 x	3.5 x	4.3 x	n/a	5.2 x	3.4 x	2.6 x	2.0 x	1.5 x	1.0 x
Operating Metrics											
Return on Equity (ROE)	52.3%	-2930.7%	-268.2%	-117.6%	60.2%	-37.6%	-285.8%	141.8%	60.3%	38.3%	28.3%
Return on Assets (ROA)	6.3%	12.7%	12.6%	7.6%	-13.8%	5.8%	10.2%	10.8%	10.3%	9.6%	9.0%
Return on Invested Capital (ROIC)	8.8%	16.2%	16.6%	11.5%	-20.9%	9.0%	17.1%	19.6%	20.3%	20.3%	20.3%
Valuation Metrics											
Stock Price (High)	$ 61.33	$ 67.58	$ 72.76	$ 63.87	$ 45.26	$ 43.95	$ 43.95	$ 43.95	$ 43.95	$ 43.95	$ 43.95
Stock Price (Low)	$ 46.74	$ 51.90	$ 50.80	$ 41.54	$ 10.36	$ 43.95	$ 43.95	$ 43.95	$ 43.95	$ 43.95	$ 43.95
Stock Price (Average)	$ 54.04	$ 59.74	$ 61.78	$ 52.71	$ 27.81	$ 43.95	$ 43.95	$ 43.95	$ 43.95	$ 43.95	$ 43.95
Diluted Shares Outstanding (Average)	94,398.0	88,494.0	85,445.0	84,968.0	84,800.0	86,619.5	87,259.0	87,259.0	87,259.0	87,259.0	87,259.0
Market Capitalization (Average)	5,100,795.9	5,286,631.6	5,278,792.1	4,478,238.4	2,358,288.0	3,806,927.0	3,835,033.1	3,835,033.1	3,835,033.1	3,835,033.1	3,835,033.1
Enterprise Value (Average)	7,321,620.9	7,873,083.6	8,026,245.1	7,374,836.4	5,491,929.0	6,884,150.4	6,649,480.2	6,313,291.4	5,949,699.1	5,574,832.7	5,189,047.8
P/E	43.1 x	19.3 x	19.1 x	25.0 x	n/a	22.3 x	11.4 x	9.6 x	9.0 x	8.7 x	8.5 x
EV/EBITDA	17.2 x	13.6 x	12.6 x	13.4 x	n/a	14.2 x	9.9 x	8.4 x	7.5 x	6.9 x	6.2 x
FCF Yield to Market Capitalization	4.5%	8.0%	6.7%	6.4%	-0.2%	4.7%	8.9%	10.8%	11.5%	11.8%	12.1%
FCF Yield to Enterprise Value	3.2%	5.4%	4.4%	3.9%	-0.1%	2.6%	5.1%	6.6%	7.4%	8.1%	8.9%
Free Cash Flow											
EBIT	317,837.0	462,127.0	517,440.0	429,902.0	(342,427.0)	372,928.1	541,104.0	620,727.1	656,618.8	673,963.8	689,754.4
Tax Expense	(76,539.0)	(16,026.0)	(95,855.0)	(91,942.0)	140,967.0	(86,146.4)	(124,995.0)	(143,388.0)	(151,679.0)	(155,685.6)	(159,333.3)
D&A	108,861.0	115,630.0	117,572.0	120,392.0	127,862.0	113,567.9	130,524.8	132,791.5	135,816.7	138,938.8	142,161.6
Capital Expenditures	(129,258.0)	(135,219.0)	(135,624.0)	(143,913.0)	(100,878.0)	(146,066.4)	(185,974.1)	(191,248.4)	(196,147.4)	(201,213.5)	(205,919.8)
Changes in NWC	11,147.0	(4,470.0)	(50,670.0)	(28,690.0)	170,937.0	(73,657.9)	(18,630.3)	(5,205.3)	(3,528.5)	(3,648.9)	(3,389.7)
Unlevered Free Cash Flow	232,048.0	422,042.0	352,863.0	285,749.0	(3,539.0)	180,625.3	342,029.4	413,677.0	441,080.7	452,354.6	463,273.2

Valuation Summary

Current Price	**$ 43.95**
Target Price	$ 45.02
Total Return	2.4%
Recommendation	**HOLD**

DCF Valuation	
Perpetuity Growth Implied Price	$ 30.46
Exit Multiple Implied Price	$ 36.27
Comps Valuation	
Comps - EV/EBITDA Implied Price	$ 75.47
Comps - P/E Implied Price	$ 49.52

Valuation Weighting	
Perpetuity Growth	30.0%
Exit Multiple	30.0%
EV/EBITDA Comps	20.0%
P/E Comps	20.0%

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Appendix 2: Discount Cash Flow Analysis

(Figures in mm USD)	Dec-16 FY2016	Dec-17 FY2017	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Mar-21 Q1-2021	Jun-21 Q2-2021	Sep-21 Q3-2021	Dec-21 Q4-2021	Dec-21 FY2021	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026
WACC Calculations															

Cost of Equity	
Risk-free rate	1.7%
Expected market return	10.4%
Market Risk Premium	**8.6%**
Beta	1.51
Cost of Equity	**14.7%**

Cost of Debt	
Pre-tax cost of debt	1.7%
Effective tax rate	23.1%
Cost of Debt	**1.3%**

WACC	
Market value of equity	3,835.03
Market value of debt	2,808.04
Total Capitalization	6,643,072.1
Cost of equity	14.7%
Cost of debt	1.3%
WACC	**9.1%**

Free Cash Flow	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
EBIT	317.84	462.13	517.44	429.90	(342.43)	(82.79)	158.57	263.66	33.50	372.93	541.10	620.73	656.62	673.96	689.75
Less: Tax expense	(76.54)	(16.03)	(95.86)	(91.94)	140.97	31.87	(29.26)	(46.54)	(7.74)	(86.15)	(125.00)	(143.39)	(151.68)	(155.69)	(159.33)
Add: Depreciation and amortization	108.86	115.63	117.57	120.39	127.86	28.83	28.05	28.05	28.63	113.57	130.52	132.79	135.82	138.94	142.16
Less: Capital expenditures	(129.26)	(135.22)	(135.62)	(143.91)	(100.88)	(23.13)	(19.12)	(19.57)	(84.25)	(146.07)	(185.97)	(191.25)	(196.15)	(201.21)	(205.92)
Less: Change in net working capital	11.15	(4.47)	(50.67)	(28.69)	170.94	9.70	53.97	(79.49)	(57.84)	(73.66)	(18.63)	(5.21)	(3.53)	(3.65)	(3.39)
Unlevered Free Cash Flow	**232.05**	**422.04**	**352.86**	**285.75**	**(3.54)**	**(35.53)**	**192.22**	**146.11**	**(87.70)**	**180.63**	**342.03**	**413.68**	**441.08**	**452.35**	**463.27**
Discount factor						-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow						-	-	-	**(85,816.0)**	**(85.82)**	**184.46**	**340.30**	**332.68**	**312.83**	**293.75**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity Growth Rate	2.0%
PV sum of unlevered FCF	1,378.20
Terminal value	4,240.42
Enterprise Value	**5,618.62**
Add: Cash	389.86
Less: Debt	2,808.04
Less: Other EV adjustments	542.95
Equity Value	**2,657.49**
Shares outstanding	87.26
Implied Share Price	**$ 30.46**
Current Price	$ 43.95
Implied Price	**$ 30.46**
Total Return	**-30.7%**

Exit Multiple Method	
Terminal EV/EBITDA Multiple	9.0 x
PV sum of unlevered FCF	1,378.20
Terminal value	4,747.41
Enterprise Value	**6,125.61**
Add: Cash	389.86
Less: Debt	2,808.04
Less: Other EV adjustments	542.95
Equity Value	**3,164.47**
Shares outstanding	87.26
Implied Share Price	**$ 36.27**
Current Price	$ 43.95
Implied Price	**$ 36.27**
Total Return	**-17.5%**

Perpetuity Growth Rate \ WACC	9.99%	9.49%	8.99%	8.49%	7.99%
1.00%	$ 17.40	$ 20.78	$ 24.58	$ 28.88	$ 33.79
1.50%	$ 19.72	$ 23.44	$ 27.65	$ 32.46	$ 38.00
2.00%	$ 22.33	$ 26.46	$ 31.17	$ 36.59	$ 42.92
2.50%	$ 25.28	$ 29.90	$ 35.22	$ 41.42	$ 48.73
3.00%	$ 28.66	$ 33.87	$ 39.95	$ 47.12	$ 55.71

Terminal EV/EBITDA Multiple \ WACC	9.99%	9.49%	8.99%	8.49%	7.99%
8.5 x	$ 30.39	$ 31.91	$ 33.47	$ 35.07	$ 36.71
9.5 x	$ 36.18	$ 37.83	$ 39.53	$ 41.28	$ 43.08
10.5 x	$ 41.96	$ 43.75	$ 45.60	$ 47.49	$ 49.44
11.5 x	$ 47.74	$ 49.68	$ 51.66	$ 53.71	$ 55.81
12.5 x	$ 53.52	$ 55.60	$ 57.73	$ 59.92	$ 62.18

Appendix 3: Comparable Companies Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple: 2020A EV/EBITDA	2021E EV/EBITDA	2022E EV/EBITDA	P/E Multiple: 2020A P/E	2021E P/E	2022E P/E
CEDAR FAIR LP	(NYSE: FUN)	2,727.86	5,140.39	n/a	16.7 x	8.8 x	(4.6 x)	60.0 x	16.3 x
SEAWORLD ENTERTAINMENT INC	(NYSE SEAS)	5,280.06	6,965.47	n/a	11.4 x	10.6 x	(17.6 x)	19.6 x	18.4 x
CINEPLEX INC	(NYSE: CGX)	825.37	2,265.10	n/a	30.3 x	9.0 x	(2.9 x)	(4.4 x)	118.5 x
SIX FLAGS ENTERTAINMENT CORPORATION: SIX	**((NYSE: SIX)**	**3,787.61**	**6,748.74**	**(31.5 x)**	**13.9 x**	**10.0 x**	**(8.8 x)**	**22.3 x**	**11.4 x**
Median					**16.7 x**	**9.0 x**		**19.6 x**	**18.4 x**
Mean					**19.5 x**	**9.5 x**		**25.1 x**	**51.0 x**
High					**30.3 x**	**10.6 x**		**60.0 x**	**118.5 x**
Low					**11.4 x**	**8.8 x**		**(4.4 x)**	**16.3 x**

	EV/EBITDA Implied Price		P/E Implied Price	
Median	$ 60.05	$ 35.46	$ 38.77	$ 71.10
Mean	**$ 75.47**	**$ 39.45**	**$ 49.52**	**$ 197.06**
High	$ 136.42	$ 48.52	$ 118.46	$ 457.28
Low	$ 29.96	$ 34.37	-$ 8.66	$ 62.80

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