



**ASX RELEASE**

27 August 2020

**ARDENT LEISURE REPORTS FY20 FINANCIAL RESULTS**

- **FY20 statutory results significantly impacted by COVID-19 and adoption of AASB 16 Leases<sup>1</sup>**
- **Group Revenue of \$398.3 million (FY19: \$483.3million) and EBITDA excluding Specific Items of \$5.7 million (FY19: \$54.2 million) largely reflects closure of Main Event centres and Theme Parks since mid-late March 2020 due to COVID-19**
- **Net loss of \$136.6 million (FY19: \$60.9 million)**
- **Prior to COVID-19, Main Event and Theme Parks reported revenue growth of 5.0% (in USD) and 4.7%, respectively, for the 35 weeks up to the end of February 2020 compared to prior corresponding period**
- **Strengthened capital position following the US\$80.0 million investment from RedBird Capital Partners for Main Event and \$69.9 million financial assistance from the Queensland Government for Theme Parks**
- **No final dividend for FY20**

Ardent Leisure Group Limited (ASX: ALG) today announced its audited financial results for the full year ended 30 June 2020.<sup>2</sup>

A\$ million	Reported FY20	AASB 16 <i>Leases adjustment</i>	Pro forma FY20	Reported FY19
Revenue	398.3	-	398.3	483.3
EBITDA	25.7	(48.5)	(22.8)	11.7
EBIT	(68.4)	(20.0)	(88.4)	(40.7)
Net loss after tax	(136.6)	13.1	(123.5)	(60.9)
EBITDA excluding Specific Items	5.7	-	5.7	54.2

The table above shows the adjustments to remove the impact of the new lease accounting standard in determining the pro forma FY20 results for like-for-like comparison with FY19. No adjustments were made to estimate the impact of the 53<sup>rd</sup> week and COVID-19 on trading results due to the temporary closure of Main Event centres on 17 March 2020 and Theme Parks on 23 March 2020.

Total reported revenue of \$398.3 million for the Group decreased by \$85.0 million due to the temporary closure of Main Event centres and Theme Parks in response to government imposed social distancing and other measures to stop the spread of COVID-19. This is partially offset by a 1.9%<sup>3</sup> increase in Main Event constant centre revenue and encouraging signs of recovery in Theme Park's attendance and revenue growth prior to the emergence of COVID-19, as well as incremental revenue from new Main Event centres.

<sup>1</sup> A significant part of lease expenses now reported below EBITDA as 'amortisation of lease assets' and 'lease interest expense' as well as higher overall costs being recognised under the new standard. There is however no impact on Group cash flow compared to prior period.

<sup>2</sup> Comprising 53 weeks from 26 June 2019 – 30 June 2020 (FY19: 52 weeks from 27 June 2018 – 25 June 2019).

<sup>3</sup> Includes six months trading results of Pittsburgh in the current and prior period as the centre was permanently closed in January 2020.

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Prior to COVID-19 being declared a pandemic, the Group reported revenue of \$362.3 million and EBITDA of \$68.2 million for the eight months ended 3 March 2020 (36 weeks).

The Group reported \$15.4 million valuation and impairment losses on property, plant and equipment in Theme Parks predominantly as a consequence of the impact of COVID-19 on trading performance and near term outlook (FY19: nil), \$2.0 million impairments of property, plant and equipment and lease right-of-use assets in certain Main Event centres (FY19: \$17.6 million) and \$2.8 million costs associated with the early termination of Main Event's leases of the Pittsburgh and Indianapolis centres (FY19: \$3.1 million onerous lease expense associated with Pittsburgh centre).

Corporate costs have reduced by \$9.4 million or 62.1% on a pro forma<sup>4</sup> basis compared to FY19.

EBITDA excluding Specific Items<sup>5</sup> was \$5.7 million for the year compared to \$54.2 million in FY19.

Ardent Leisure Chairman, Dr Gary Weiss, said, "The emergence of COVID-19 in the second half of the financial year has had a significant impact on our businesses. Our priority has been the health and safety of our team members and guests. Following the restrictions put in place by government and health authorities, we made the difficult decision to close our Main Event centres in the United States and Theme Park businesses in Australia from mid-late March.

"While positive progress had been achieved by Main Event and Theme Parks in the first eight months of the year, our focus turned to capital management and securing capital for the businesses as the COVID-19 pandemic escalated.

"The Group is starting FY21 in a strengthened financial position. We are excited by the opportunity to partner with RedBird Capital and look forward to drawing on their experience and expertise as we continue to drive Main Event's growth and expansion plans. For our Theme Parks division, we are appreciative to the Queensland Government for their ongoing support of the industry. The financial assistance package provided by the Queensland Government will enable us to reopen Dreamworld and Whitewater World and continue to employ hundreds of people, directly and indirectly."

Dr Weiss said, "We anticipate uncertain and challenging conditions to continue in FY21, however we believe that the demand for out-of-home family entertainment experiences will be stronger than ever once the pandemic has subsided and restrictions have eased. Our guests and team members can be confident we have implemented the highest levels of cleaning and safety standards across our businesses."

## **Main Event**

Main Event revenue in US dollars declined by 21.7% due to all centres being temporarily closed from 17 March 2020. In Australian dollar terms, Main Event revenue decreased by 17.4%, reflecting the movement in foreign exchange rates. Main Event has progressively reopened its centres in May and June, with 38 centres reopened as at 30 June 2020. Post reopening trading results have been soft as consumers remain cautious of the pandemic.

The full year results for Main Event reflect the impact of COVID-19, partially offset by revenue growth achieved in constant centres and contributions from newly opened centres prior to the closure of all centres in March 2020. Main Event reported revenue and EBITDA of US\$211.4 million and US\$52.9 million, respectively for the eight months ended 3 March 2020 (36 weeks). On a 35 weeks like-for-like basis, total divisional and constant centre revenue grew 5.0% and 1.9%<sup>3</sup>, respectively on prior corresponding period.

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<sup>4</sup> Pro forma results exclude the impact of change in lease accounting in the current period to enable like-for-like comparison with prior period.

<sup>5</sup> Refer to the accompanying results presentation and Annual Financial Report for detailed information on Specific Items.

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Three centres were opened during the year, two of which were in Texas and one located in a new market in Baton Rouge, Louisiana. The Pittsburgh and Indianapolis centres were permanently closed in January 2020 and June 2020, respectively due to the underperformance of these centres. As at 30 June 2020, Main Event has 43 centres across 16 states (2019: 42 centres across 17 states).

The division reported EBITDA of US\$37.6 million for the period. On a pro forma basis, EBITDA of US\$5.2 million was down 84.6% on the prior period's EBITDA of US\$34.1 million. Excluding Specific Items which include pre-opening expenses, restructuring costs, lease termination costs, gain on disposal of assets, impairment of property, plant and equipment and lease right-of-use assets, EBITDA was US\$13.6 million compared to US\$52.9 million in the prior period.

Mr Chris Morris, President and Chief Executive Officer of Main Event, said, "We are proud of the work our teams accomplished in the fiscal 2020 year. Through February 2020, sales trends in our business were the best in the previous five years, guest experience metrics were at all-time highs, team turnover was at a four year low, recent new centre openings were exceeding expectations and our real estate pipeline was built and ready to support 5 to 8 new centre openings per year.

"Following the onset of COVID-19, our teams immediately took action closing our centres in March 2020, then carefully reopening centres beginning in June 2020 and implementing what we believe is the gold standard in our industry of safety and sanitisation standards. Since June we have reopened all but three centres and have experienced a steady improvement in sales trends each week since reopening.

"Current constant centre sales trends for reopened locations over the last two weeks have been approximately 30% lower than pre-COVID-19 levels. We remain optimistic about the future of our business and we will continue to focus our efforts on the guest experiences, cash conservation, and returning our business to growth.

"We are also excited about our new partnership with RedBird Capital, which brings significant capital and strategic support to our business, positioning Main Event to come out of the pandemic stronger than ever."

### **Theme Parks**

The Theme Parks division reported trading revenue of \$54.5 million for the year, down 18.8% on prior year mainly due to the impacts of COVID-19 and resultant closure of Dreamworld, Whitewater World and SkyPoint from 23 March 2020.

Prior to COVID-19 being declared a pandemic, Theme Parks reported revenue of \$51.4 million and an EBITDA loss of \$5.0 million, respectively for the eight months ended 3 March 2020 (36 weeks). The division experienced attendance and revenue growth of 4.5% and 4.7% respectively and a 56.4% improvement in EBITDA excluding Specific Items on a 35 weeks like-for-like basis.

The division reported an EBITDA loss of approximately \$24.0 million, compared to an EBITDA loss of \$19.8 million in the prior year. The decline was largely driven by reduced revenue as a result of COVID-19 and non-cash valuation and impairment losses relating to the Dreamworld. The COVID-19 impact was partially offset by the division benefitting from \$5.9 million in government support which largely relates to the JobKeeper subsidy. Dreamworld incident costs, net of insurance recoveries has also reduced by \$8.2 million in the current year.

Excluding the Specific Items, which include valuation and impairment losses on property, plant and equipment, incident related expenses, non-recurring restructuring expenses and loss on disposal of assets, EBITDA improved by \$2.2 million compared to prior period.

The division has identified \$0.8 million of non-recurring costs directly associated with COVID-19.

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Theme Parks Chief Executive Officer, Mr John Osborne, said, "Prior to the pandemic, there were several positive trends resulting in rapidly improving financial performance.

"The efforts made to preserve cash, reduce the cost base and secure financing during the closure have positioned us well to weather uncertainty in the short to medium term. The team will continue to focus on minimising cash burn by taking a measured and disciplined approach to reopening our venues.

"The new world-class coaster that will open next year, along with recent and ongoing refurbishments and improvements, means that our product offer is excellent and will allow us to win market share when the external environment normalises.

"We are currently facing the toughest set of business conditions in decades meaning that uncertainty is likely to prevail for some time and we look forward to taking this challenge head on by being prepared to adjust as conditions evolve."

## **Tax**

The Group reported \$4.7 million of tax expense in the current year (FY19: \$12.3 million) which includes an expense of \$37.6 million (2019: \$12.4 million) in respect of Australian and US tax losses and Australian deductible temporary differences for which deferred tax assets have not been recognised or have been derecognised, offset by a tax benefit of \$32.9 million due to losses suffered in the current year.

## **Debt Facilities and Cash**

Net debt for the Group was \$78.4 million as at 30 June 2020.

Main Event has received covenant waivers for the next four quarters through to and covering the March 2021 quarter from its lenders.

Under the terms of the Group's financing facilities, cash and debt held by the Australian and US businesses are subject to separate 'ring fencing' provisions whereby each business cannot access cash or facilities held by the other.

As at 30 June 2020, the Group has A\$161.6 million of cash balances, which comprised of \$32.6 million and \$129.0 million cash available to the Australian and US businesses, respectively. Cash in the US business reflects the recent investment from RedBird Capital. The Theme Parks division currently has approximately \$100 million of funding available to it, made up of cash and the recent \$66.9 million Queensland Government loan.

Dr Weiss said, "The Group's balance sheet has strengthened following the investment and partnership with RedBird Capital and the financial assistance provided by the Queensland Government for the Theme Parks division. This funding has enabled the Group to navigate the current challenging conditions brought on by COVID-19 and will also ensure the Group is well positioned for future growth once market conditions start to improve."

The Board has decided not to declare a final dividend for FY20 in view of the uncertainty of the current environment and the Board's previously stated intention to continue to invest in Main Event and Theme Parks.

## **Investor briefing**

The Group will host an investor briefing at 10:00am (AEST) today. To access the briefing, please register your details through the following webcast or teleconference links:

### *Webcast*

<https://webcast.boardroom.media/ardent-leisure-group/20200827/NaNardent-leisure-fy20>

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*Teleconference*

<https://s1.c-conf.com/DiamondPass/10008311-invite.html>

*Authorised for release by the Board of Ardent Leisure Group Limited*

Bronwyn Weir  
Company Secretary  
Ph: +61 2 9168 4602