Ladies and gentlemen, welcome to the Parques Reunidos Third Quarter 2018 Results Presentation. The Management of the company will run you through the presentation. I am now pleased to give the floor to Mr. Isidoro Díez, Chief Financial Officer and Mr. Juan Barbolla, Chief of Strategy and Investor Relations. Gentlemen, please go ahead.

Juan Barbolla:
Good morning, everyone and thank you for joining our Q3 results conference call. YTD June financial results show a strong performance delivered during the low season for the year supported by strong results achieved during the off-season events, with a 16% revenue growth achieved vs. prior year and record levels achieved in the sale of season passes. However, this strong start of the year has been partially offset by adverse weather conditions in Spain where we have experienced the rainiest spring season in the past 50 years and in the US.

During this quarter, we have also accomplished important milestones for the future development of the company. On July 17th, Parques Reunidos Board of Directors accepted the resignation of Peter Long as Non-Executive Chairman of the Board. We thank Peter for his contribution during the first years of Parques Reunidos as a publicly traded company. The Board of the company has also appointed Richard Golding as the new Non-Executive Chairman of the Board and we welcome Richard again to his new position.

We have expanded our footprint into Australia with the acquisition of Wet'n'Wild Sydney, one of the largest water parks in the region. And as part of our strategy to maximize the value of the existing portfolio, we have recently announced the development of a new expansion area in Kennywood, the Steelers Country. That represents a unique combination of two of the strongest brands in Pittsburgh—Kennywood and the Steelers—and is the first agreement reached between a leisure park operator and a national football league team in the US. Looking forward, there is still an important amount of revenues to come, around 44, 42% of the total annual revenues. The performance YTD June and July trading so far have been affected by weather conditions. However, we believe that our year-end targets are still achievable, but we need normalized weather conditions to deliver those results.

Going to page 3, we highlight the main results achieved during the period. We will focus on like-for-like figures which exclude the impact from changes in FX rate and the changes we have experienced in the portfolio during the period—Belantis acquisition and the expiry of the concession of the Madrid cable car. Attendance has increased by 2.9%, with 240,000 additional visitors coming to our parks. Revenue increased by 2.4% and EBITDA has dropped by 4.4 million vs. last year.

On page 4, we are showing the revenue and EBITDA performance by region on a like-for-like basis. In terms of revenue, Rest of Europe is the highest contributor to the revenue growth of the Group. Spain is slightly down, affected by the weather, and US growth contribution is limited as peak season starts the last week of May. In terms of EBITDA, the drop is mainly driven by headquarters that include budgeted costs inclusive related with additional marketing expenses to support specific top-line initiatives at park level, includes personnel expenses to factor in the accrual of the annual variable compensation not paid last year and new resources to support expansion of the business, and finally, some start-up costs to support the development of the new indoor business.

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In the coming slides, we will explain the key drivers of the performance for each of the regions. We start with Spain, a region where we have delivered strong underlying performance, but that has been offset by poor weather during spring. As a result, revenue performance has been almost flat. This is a combination of strong revenue growth achieved under normal conditions. We have delivered +18% revenue increase during the off-season events. We have also delivered 10% like-for-like growth in the first quarter and we have delivered positive performance during the month of June.

However, this positive trend in revenues has been offset by performance during the months of March to mid-June, where we have faced the rainiest spring season since 1965. Looking forward, we have all the elements in place to grow during the summer season. Season passes are growing at 23%. Expansion projects, which include the expansion of Warner Beach at Warner Park and the new Nickelodeon area at Parque de Atracciones de Madrid are already open and are working well. And current trading [unintelligible] during the month of July are on track with our expectations.

Rest of Europe on page 6 has delivered the best performance across the portfolio. We have reached a 5% like-for-like revenue growth driven by both attendance and percap growth. This is a combination of a good performance during the low season, plus 13% revenue growth achieved during the off-season events, strong results reached during the Easter and spring vacations, and record levels delivered in season passes with a 21% growth vs. last year. In terms of EBITDA, we have grown at a 3.4% like-for-like basis, on a like-for-like basis. This implies a revenue to EBITDA drop through of 40% during the Q3 standalone. This means that the advanced costs we incurred during the low season are gradually being absorbed, and as we get into the peak season, we should be capturing the operating leverage of the business and deliver even stronger EBITDA growth rates.

Finally, in the US, the important part of the season is yet to come. Our Q4 is the key quarter and represents 70% of the total annual revenues in the United States. YTD performance we have delivered slightly positive revenue, like-for-like growth and 1.6% like-for-like EBITDA growth. This is a combination of good performance during the low season and a slow start of the peak season affected by adverse weather. The key drivers of the performance in this region are the good results delivered during the off-season events (reaching a +18% revenue growth), attractive growth rates achieved in the sale of season passes even though we experienced bad weather at the beginning of the season, and generally, this affects significantly the sale of season passes for obvious reasons, and our park in Hawaii has been negatively affected by the decline in tourism following the eruption of the Kilauea Volcano. Now, Isidoro will continue the presentation explaining our P&L for the period.

Isidoro Díez:
Thank you, Juan. I will drive you through the P&L below EBITDA, cash flow generation and net debt position. The page 8, the most important variances on the below EBITDA are: first, the depreciation, as, as this, as commented in the, in the past call, which has increased from €52 million to €61 million due to the following reasons. The first one, the capex incorporation involving a standard recurring capex for expansion projects and indoor center, and the remaining is related to a one-off adjustment that reduced the D&A in 2017.

In terms of annual D&A level, we maintain our previous forecast in the region of €80 million, €75-80 million for fiscal year 18. On the non-recurring items, this €7.6 million are explained as follows. €1.8 million of advisory fees, mainly related to M&A processes we have analyzed, €1.2 million of personnel restructuring processes, €1.3 million associated with the cleanup of Miami Seaquarium after Hurricane Irma, €0.4 million related to the termination of the concession of the Teleférico de Madrid, the cable car in Madrid, and the remaining costs are associated with bad debt, bad debt provision for Vietnam contract, a provision for a stock-based compensation, and other non-recurring items.

Moving to the next page, where we have included the evolution of the net debt by concept, adjusted net debt excluding intra-year working capital needs, increased up to €545 million due to the acquisition of Belantis and the US dollar to Euro appreciation; acquisition of Belantis €26.5 million, the rest FX. The €111 million of intra-year working capital needs related to seasonality of the business. End of season net debt should be flat to prior year, but due to Belantis and the expected payment of the Australian park before the end of the season, will be around €50 million more. Now, I hand over to my colleague Juan.

Juan Barbolla:
Thanks, Isidoro. Now, we want to provide you with an overview of the current trading of the business and an outlook for the year-end. Where we analyze the current trading of July, we should do it by region. In Spain, we're back to positive territory. We have delivered strong growth rates during the first three weeks of the month, and this highlights the capacity of the business to deliver strong growth under normal operating conditions. In the Rest of Europe, the business has normalized. We've seen minor slowdown in revenue growth in July so far, which is this is normal course of the business, and we are still on track. And in the US, we have experienced poor weather conditions.

This is not a Parques Reunidos issue, it is affecting the rest of the players in the sector, and as a result, we are slightly down vs. prior year on a like-for-like basis. Looking forward, there's still an important amount of revenue to come—more than 40% of the total annual revenues. And if we experience normal operating conditions, we believe it is achievable to reach our year-end guidance. Spain is expected to continue growing at a similar pace than in July. Rest of Europe is on track and should continue this [unintelligible]. And in the US, where we have low YTG comparable figures from last year, as we suffered various adverse weather in August, and under normal operating conditions we should be capable to recover the EBITDA lost last year.

Finally, and before finishing the presentation, during this quarter we have accomplished a very important milestone for the company with the acquisition of Wet'n'Wild Sydney. Wet'n'Wild Sydney is the most modern water park in Australia, opened its doors in 2013, it has state-of-the-art attractions and is the second most-visited water park in the region. This is a very strategic acquisition for us, as it represents the first step to be present in the South Hemisphere. Being in the South Hemisphere will help us to expand the season of the business, as peak season in Australia runs during the low season of our European and US operations. And represents a unique opportunity to build a larger platform in Australia. From a value creation standpoint, we believe we can improve significantly current profitability levels.

Park EBITDA is expected to close breakeven in terms of EBITDA this year, compared with historical peaks of AU$9 million. And if compare these profitability levels to the ones of our portfolio, we can really operate comparable parks, both in US and Europe, with margins above 35% and in some cases, substantially higher to that figure. Additionally, the park has available land for expansion opportunities through, through second-gate parks, as well as themed areas that we are currently analyzing.

With this acquisition, we have reinforced our leading market global position with presence in Europe, US, Middle East, Asia and now Australia, and we have strengthened our position as the number 1 water park operator worldwide with 22 water parks. With this, we have finished our presentation and we are now open for questions. Operator, please.

Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please dial 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. I'll ask them one at a time if that's okay. The first one was just around your guidance and potential sort of EBITDA downside. The records of last year, the cost savings you made off the prior year, there was a lot of operational gearing. So, you say you need normalized weather to hit your guidance, which is low 190s I guess. If that doesn't occur, do you see revenue fall short of your sort of expectations or your hopes? And can you just talk a little bit about the kind of gearing we might see in this case? Will that involve, maybe, just a sort of normal drop through, and therefore, maybe any missing slightly or could we be seeing significant downside if that's the case?

Juan Barbolla:
Good morning, Ed. Look this is Juan. The way we see it, and I think we should go region by region. Spain, honestly, we see the region growing. We are targeting high single-digit growth, okay? It's important to highlight in Spain last year in Q4 we dropped revenues by 4.4%, I think it's the exact date, the exact data. So, which means that we should be capable to continue growing in terms of revenue during this quarter, as we are doing in July. Whether if it's the high single digit or for whatever external factor, this is, it's lower, we'll see. Having said that, because we expect growth, that growth should come at a high EBITDA drop through, okay?

It's important to highlight that the drop through for the year expected is in the region of 50-60% but when we do it on a quarterly basis during the low season, we have very low drop throughs because the fixed cost component is high and during the peak season, they are higher and we are expecting drop throughs in the area of 80%, okay? The more we grow, the better for that, obviously. But still, we should, we should still expect high drop throughs. And in that area. This is again the case for Rest of Europe, okay? In the Rest of Europe, we are expecting to grow mid to high single digit for the Q4.

Again, the comp last year is easy. We decreased last year around 2% revenues in the quarter. So, look, growing at a high mid-single, mid to high single digit will imply to be growing on a non, to annual basis at the normal speed of the business. Adverse conditions could make us below that growth, but again, on a quarterly basis, we should be capable to deliver positive growth and the gearing again should be very high. And particularly, in the case of Rest of Europe, there's a component of anticipated or advanced costs in Q under H1, which will have the ratio for the H2 okay? In the US it's a matter of recovery. How much will depend on the weather. But the comp of US last year is the easiest one of the group because we really suffered a lot last year.

As a reminder, last year during the fourth, the fourth, last year we lost €13 million of EBITDA and the majority of that loss came in Q4. So again, it's easy to grow vs. last year, and look, as we have already proven throughout the low season where it's difficult, the drop through has already been high, okay? When we have been capable to deliver positive growth and look, we should expect to be the case, okay? In this case, the drop through is gonna be even higher than in Spain and Rest of Europe. And regardless, if we grow mid/high double digit, okay? So, the gearing, all in all, Ed, is gonna be higher.

Ed Young:
Okay. I'm, just a follow-up on that, on that first question. I mean, I understand if the, weather is positive, then you should have positive gearing but my question's really, the opposite of this. I mean, if you have normal or good weather, you know, I think it's certainly reasonable to expect you to hit your guidance or even beat it if things were very good but, I guess my question is, on, on the other side of things, you mentioned a little bit about the sort of phasing of costs in Rest of Europe. But you know, last year, July was -4. You know this year again July was, was very soft given, given the comp. So, you know, I've looked, you know, looked at the weather forecast. Some of the park specific [unintelligible], I think it's a fair question to say if it was, you know, not that you were expecting it, if it was to be poor performance, revenue-wise, are there any particular divisions that we'd see a similar kind of gearing on the negative side in terms of a lack of cushion this year?

Juan Barbolla:
Look, understood, okay? If, if look, Ed, I think it's different situation in Europe vs. US. So, in Spain and Europe, if for whatever reason we have a drop, we can absorb part of that drop but look, and our reactivity ratio should be on the 40-50%, right? In the case of US, look, we think it's limited.

Isidoro Díez:
Yes.

Juan Barbolla:
It's limited, okay?

Ed Young:
Okay, that's useful. Thank you. My, my second question was just a few points of clarification. So, first of all, was there any calendar effects with the July figure? You mentioned the first three weeks last year, this year it went to the 22nd, that may have captured one extra Saturday last year compared to this year? Is, is that the case, and if so, could you quantify that?

And then the second point, on, on the same thing for just clarification would be, can you quantify what new space has been as a benefit, particularly Belantis? What's that provided to Rest of Europe, but also if you could give any kind of rough quantification for the new projects you've had that you've mentioned in, in the presentation. What sort of benefit they've given to help us understand, obviously, a backward look on the end line, but also what we can sort of maybe rely on to a greater extent in the forward-looking comps?

Juan Barbolla:
Look, hold one second. Okay. In terms of, in terms of the, the calendar effect of, of July, it's true that the, yes, July, but not the three weeks. July for the entire month will have one Saturday, okay? We will have one less Saturday than last year. That is a calendar effect and that affects, obviously, the comp, the comparison but affects the current trading and will affect the entire month of July. That's why we are showing that figure that way. To be honest, as well, on a YTD basis, accumulated July, that is negligent, honestly, okay? And so that's why we are showing that figure? Okay? That is the first question.

Second question regarding the contribution of the expansion project that we have in place now for this season, there are four important projects. The first one is Warner Beach, the expansion of Warner Beach, which opened its doors by mid-June, and look, this is €7 million investment and we would expect to get 10%, around 10% return during this year, so it means, additionally EBITDA of €700k.

The other, the second one and that will be for Spain and part of that is already reflected in the figures of the current trading and there's still an important amount to come, yes, okay? The second one is the Nickelodeon area at Parque de Atracciones de Madrid, similar dynamics but with an investment of €5 million. Then we have in Mirabeach the extension of Mirabeach in Mirabilandia that opened as well at the beginning of the season which is mid-June. As it is a water park, and, in this case, we are expecting to have an additional contribution of around €0.5 million of EBITDA, okay? Part of that already reflected, part of that yet to come.

And in the US, the important expansion project that is opening today is the, the Thomas the Tank Live, which is a new kids' area in Kennywood, that is open today. And, and look, we expect to get some additional contribution that will support the growth in the US, which should be in the area of around €0.5 million, okay? Round numbers.

Okay, that is pretty much, then obviously, we have a strong pipeline of new opportunities which we are developing, and this is the case of, in, in Europe Ducati, but this is for the next season, Ducati in Europe and the Steelers we have recently announced, and we think is a great and a unique expansion opportunity where we fit a very well-known brand with a strong brand awareness in our catchment area and we expect to get attractive returns from those investments, but those investments will come in the next seasons, not in this one.

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:
Okay, thanks very much.

Juan Barbolla:
Thank you.

Thank you. Ladies and gentlemen, just a reminder, in order to ask a question, please press 01 on your telephone keypad. Thank you.
The next question comes from James Rowland Clark from Barclays. Please go ahead.

James Rowland Clark:
Hi, there. I have a few questions as well. So, I'll just go one by one. Just a point of clarity on your current trading remarks. You said that Rest of Europe like-for-like in July are on track. With a -3% like-for-like in July, could you just elaborate on why you think that's on track given that the comp is also quite weak, and how you expect that to evolve in August and September given comps will be easier as well? Thank you.

Juan Barbolla:
Good morning, James. Look, at the end, what we are showing in the July figures, okay, is the trading of three weeks, where, look, if for whatever reason you have that would comp of last year in a specific week, obviously, you are gonna be down the previous year. So, this is normal course of this business. You can see a good pace of growing in the portfolio but some weeks, the case is the opposite for, for external matters. And this is the case and this is the case of Europe. Going just to give you more comfort, I mean, I'm getting to the details. Look, there are some particularities in a couple of parts which is related to one-off events that we have in our parks, where if you accrue them in one week vs. you accrue them in another week, that affects, and this is the case.

That's why when you see on a par-by-par basis the underlying performance, we feel fairly comfortable. In terms of the outlook, we think that the YTD June figure is very representative of what we expect about this portfolio, this part of the portfolio, which is 5% and we think that this can be sustainable and even better because the YTD, the YTG figure of last year was -2%. That's why being on a 5% between mid-single to high-single digit area is reasonable and we should be targeting to get those figures. Okay?

James Rowland Clark:
Okay, so I understood. Another [unintelligible] question on that. The weather's been particularly hot in Europe. That hasn't in some way impacted theme park visitation, as in it's just too hot for people to go? You wouldn't point it at that at all?

Juan Barbolla:
Yes, yes, and for instance that has been the case of Norway, just to put an example. Yes, it's, it's been a bit affected as well for that. Okay?

James Rowland Clark:
Okay, great. And my, second line of question is on percaps. They seem to have fallen a tiny bit in Q3 for the Group. Is there anything sort of fundamental behind that? Are you discounting on tickets heading to the peak season a little bit more, or is there something you're doing on in-park spending offers? And if you are, can we...

Juan Barbolla:
Look, there are mix of things, to be honest. But at the, at the, at the end, the, the driver is not, not the added driver in season passes, okay? Where we continue selling because now it's the, now it's season, the peak season of the year started in the Q3, and it's when we start again to push the sale of season passes, and what you're seeing there is people coming to the park but with deferred revenues. So, where, it's the way we account for in season passes, mainly the big impact there, so what you have, and just a reminder, we accrue gradually the revenue we get from the season pass holder, is accrued gradually as the, as the season pass holder comes to our parks. So, the point is, there's still deferred revenue for these visitors to come in the, in the next months.

James Rowland Clark:
Great, thank you. And finally, on IECs. There's no update on opening timing for the, for the next batch, but is there any reason to expect further delays on that? Or do you think you're still on time with the, your last, your last information update at the H1 numbers?

Juan Barbolla:
Exactly. It's on track, that's why we are not providing any, any update, because it's the same. Just a reminder, we are expecting to open the next one, which is at the Atlantis Aquarium here in Madrid during Q4 calendar, okay? Calendar Q4. Maybe between October and December and the following one will be the Nickelodeon Center as well in Madrid, which will be Q1, calendar Q1 in 2019. And then the rest in line with the guidance. So, no update.

James Rowland Clark:
Okay, thank you very much.

Juan Barbolla:
Thank you, James.

Thank you, ladies and gentlemen, there are no further questions by phone. I now give the word for the webcast platform.

We have a question from Laurence Enders. The question would be could you kindly elaborate on the return on capital employed targets for your capital expenditure by category outlining pre-tax cash on cash hurdles? Thank you.

Juan Barbolla:
Look, and the way we see our capital allocation on the returns we target to get in our key investments, okay? We need to distinguish between what we think is recurring capex, okay, novelties, new attractions that we introduce in the parks, and expansion projects, okay? Where look those are expansion initiatives we introduce into the pipeline, in the case of the recent one announced of Steelers Land, Steelers Country at Kennywood. In the case of recurring capex, the attractions with, I mean, historically, we have been capable to deliver a low double-digit return, in that case, to obtain 12-13%, depending on the case, okay? And the way we measure that is on a gross basis. EBITDA divided by invested capital, that's the way we look at it, okay? In the case of expansion projects, look, those expansions first must be accretive always in terms of, of returns, and we always target to get around the area, in the area of 20%, okay? That is, that is our strategy, and this is the way we see it.

Thank you, gentlemen. There are no further questions in the webcast. So, I now give you back the word for the final remarks. Thank you.

Juan Barbolla:
Thank you very much for joining our call. And we wish you, all of you a happy summer holiday.

Isidoro Díez:
Thank you