



# SIX FLAGS ENTERTAINMENT CORP. (NYSE: SIX)

## *A THRILLING REAL ESTATE OPPORTUNITY*

DECEMBER 2022

L & B

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# EXECUTIVE SUMMARY



## AN OPPORTUNITY TO UNLOCK SUBSTANTIAL REAL ESTATE VALUE

- Land & Buildings Investment Management, LLC (together with its affiliates, “Land & Buildings” or “L&B”) is a significant shareholder of Six Flags Entertainment Corp. (NYSE: SIX) (the “Company” or “Six Flags”) and believes the Company is materially undervalued, as the real estate is worth more than the implied equity value of the Company based on today’s share price
- SIX’s new CEO has pursued an aggressive repositioning of the Company’s parks, which should drive long-term benefits but adversely impacted attendance in 2022, resulting in recent EBITDA results being depressed
  - Conversely, amusement park peers have seen meaningful attendance improvement and recovery of EBITDA to pre-pandemic levels
- VICI Properties (NYSE: VICI), an experiential \$50 billion REIT, has expressed a strong interest in acquiring real estate related to theme parks and has the liquidity and cost of capital to acquire Six Flags’ real estate at a favorable valuation for SIX shareholders; Gaming and Leisure Properties (Nasdaq: GLPI), Realty Income (NYSE: O), EPR Properties (NYSE: EPR), and Blackstone, as well as numerous private equity funds, are likely interested and capable buyers as well
- L&B recently met with SIX senior management, including CEO Selim Bassoul, at the Company’s headquarters and believes:
  1. The Company will seriously evaluate the monetization of its real estate in whole or in part;
  2. SIX is working hard to optimize the repositioning put in place in 2022 to drive higher attendance and EBITDA in 2023, and L&B is increasingly optimistic about a successful turnaround;
  3. The dialogue with the Company should remain constructive

**L&B believes the combination of a monetization of SIX real estate and optimization of the repositioning plan could see the share price double in the next 18 months**

# LAND & BUILDINGS OVERVIEW



# LAND & BUILDINGS OVERVIEW



## DECADES OF EXPERTISE IN PUBLIC REAL ESTATE

- **Firm Background**
  - Land & Buildings is an SEC-registered investment advisor founded in 2008 and located in Stamford, Connecticut
  - Invests in the publicly traded shares of global Real Estate Investment Trusts (“REITs”) and real estate-related companies
- **Investment Strategy**
  - Long-term investment horizon
  - Invests primarily in companies with discounted valuations and high growth
  - Maintain and nurture constructive relationships with portfolio companies
  - L&B has completed dozens of active engagements over the past decade, catalyzing numerous company sales/mergers and other events, including operational turnarounds, introduction of new management, asset sales and REIT conversions
- **Real Estate**
  - Founder and Chief Investment Officer Jonathan Litt has researched, analyzed and invested in public and private real estate for 30 years
  - Jonathan Litt was a number one ranked property analyst for a substantial portion of his 14 years at Citigroup, PaineWebber and Salomon Brothers
  - Principal Corey Lorinsky has dedicated his career to public real estate and activism, joining Land & Buildings in 2011 from Elliott Management



# SIX FLAGS OVERVIEW





# SIX FLAGS OVERVIEW



## SIX FLAGS (NYSE: SIX; THEME PARKS)



World's largest regional theme park company

<b>Estimated Net Asset Value Midpoint</b>	<b>\$42/share</b>
<i>Stock Price</i>	\$21.37
<i>Equity Market Cap</i>	\$1.8B
<i>Upside to NAV midpoint</i>	98%



- Six Flags (NYSE: SIX) is the world's largest regional theme park company, with ~\$1.5 billion in annual revenue and 27 amusement parks and waterparks across the United States, Mexico, and Canada
- The Company was founded in the 1960s and, following a 2009 bankruptcy, restructured and re-IPO'd on the NYSE in May 2010
- SIX has experienced significant management turnover since its IPO, with 5 CEO changes over the past 12 years
- The current CEO, Selim Bassoul, was appointed in November 2021 and has overseen a significant strategy shift for the Company, focusing on delivering a premium product at a higher price
- Six Flags is a real estate rich company, owning a significant majority of the land and assets it operates in major metropolitan areas across North America

Note: Share price data as of and through 12/16/22 in this presentation unless otherwise specified



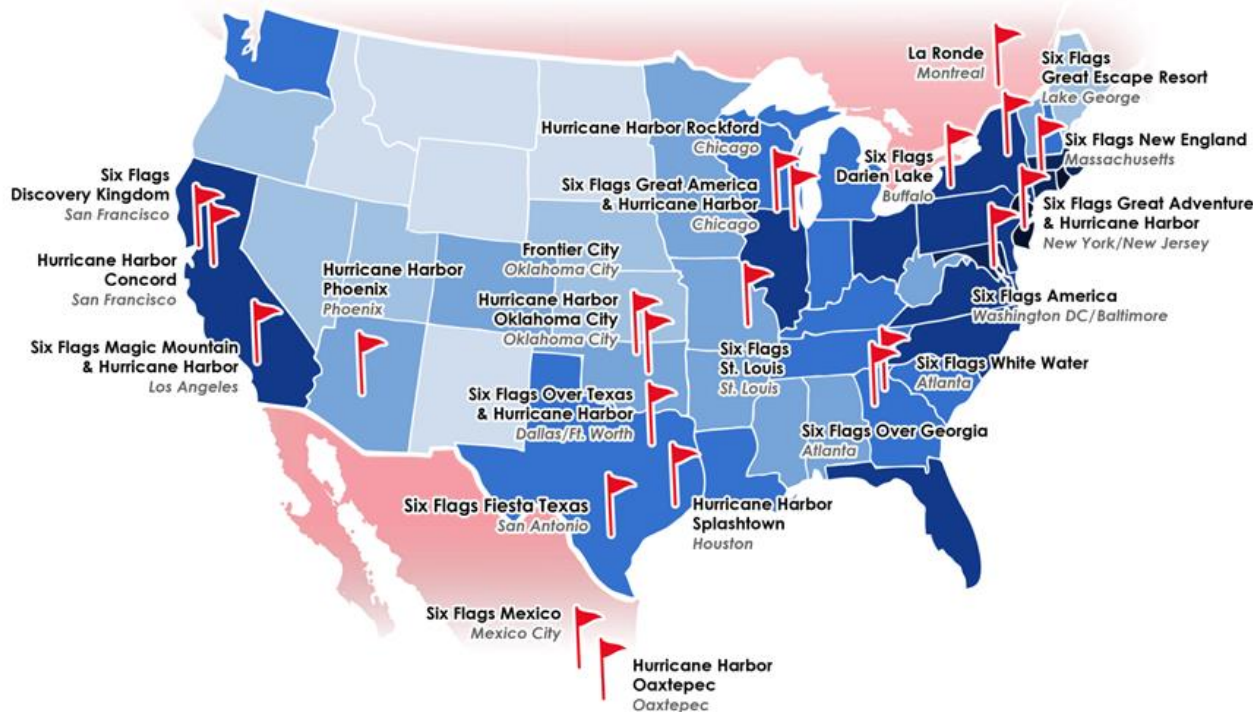
# SIX FLAGS OVERVIEW



## STRONG BRAND WITH NATIONAL PORTFOLIO OF IRREPLACEABLE THEME PARK ASSETS

### Strategically Located Parks

Prime locations • Economic and weather diversity • Limited direct competition



Park Name	Location	2019 Attendance (% of Total Company)
Six Flags Magic Mountain	California	12%
Six Flags Great Adventure	New Jersey	12%
Six Flags Mexico/Hurricane Harbor	Mexico	10%
Six Flags Great America	Illinois	10%
Six Flags Over Texas	Texas	9%
Six Flags Over Georgia	Georgia	9%
Six Flags Discovery Kingdom	California	5%
Six Flags New England	Massachusetts	5%
Six Flags Fiesta Texas	Texas	4%
Six Flags America	Maryland	4%
Six Flags St. Louis	Missouri	4%
Six Flags Great Escape	New York	4%
La Ronde	Montreal	3%
Darien Lake	New York	3%
Frontier City + Hurricane Harbor	Oklahoma	2%
Hurricane Harbor Splashtown	Texas	1%
Hurricane Harbor Phoenix	Arizona	1%
Hurricane Harbor Concord	California	1%
Hurricane Harbor Rockford	Illinois	0%
<b>Total</b>		<b>100%</b>

Source: Company filings, Citi

# WHY WE ARE HERE

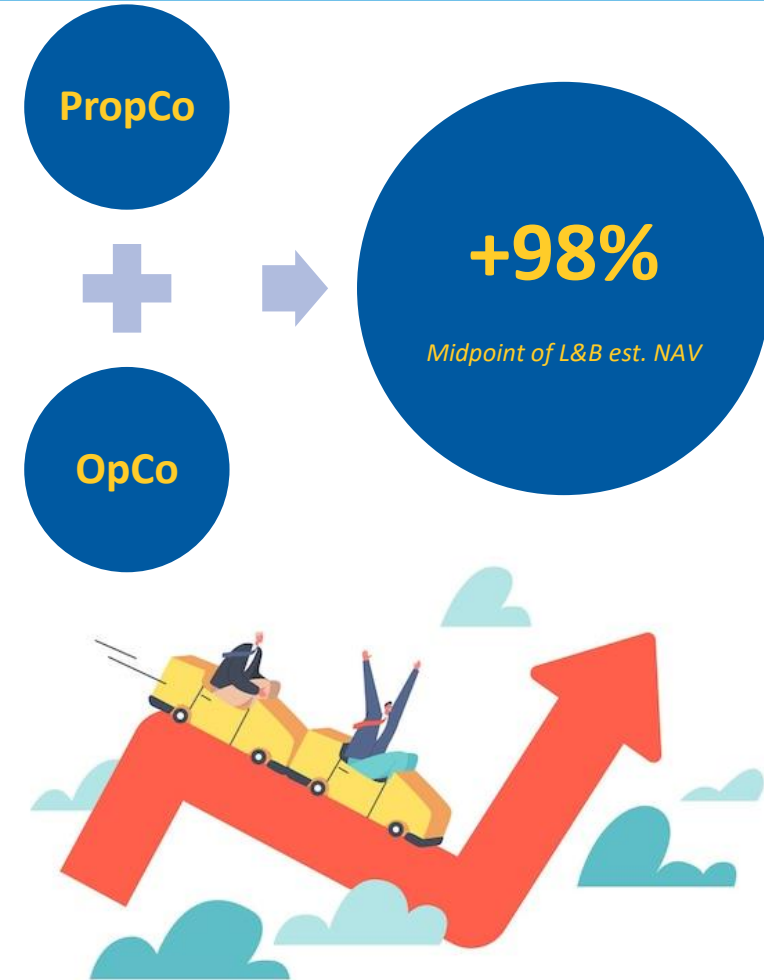


# WHY WE ARE HERE: SIGNIFICANT POTENTIAL UPSIDE



## THE SIX FLAGS OPPORTUNITY

- **Six Flags share price could double**
  - Six Flags is a prime candidate for an OpCo/PropCo separation
  - Unlocking SIX real estate through a sale or REIT conversion could add \$11 per share today, given steep valuation discount
- **How did we get here?**
  - SIX embarked on an ambitious and widely criticized “premiumization” of its parks in 2022 through price increases and reduced perks which resulted in over 10 million in lost attendance, leading to a material share price decline and underperformance to peers
- **Two ways to win**
  - 1) **Operational turnaround**
    - SIX is optimizing its repositioning and pricing strategy which should lead to a solid attendance recovery in 2023 while maintaining healthy per cap spending
    - Enhanced park experience likely to be welcomed by attendees in 2023
  - 2) **Strategic catalysts**
    - SIX real estate likely valued at more than equity market cap of \$1.8 billion, which can be unlocked with a REIT conversion or sale
    - Multiple capable buyers, including \$50 billion experiential REIT VICI Properties (NYSE: VICI), have interest in acquiring amusement park real estate and have ample capital in today’s environment to pursue such transactions
- **Primary Risks**
  - Attendance does not rebound
  - Monetization of real estate takes longer



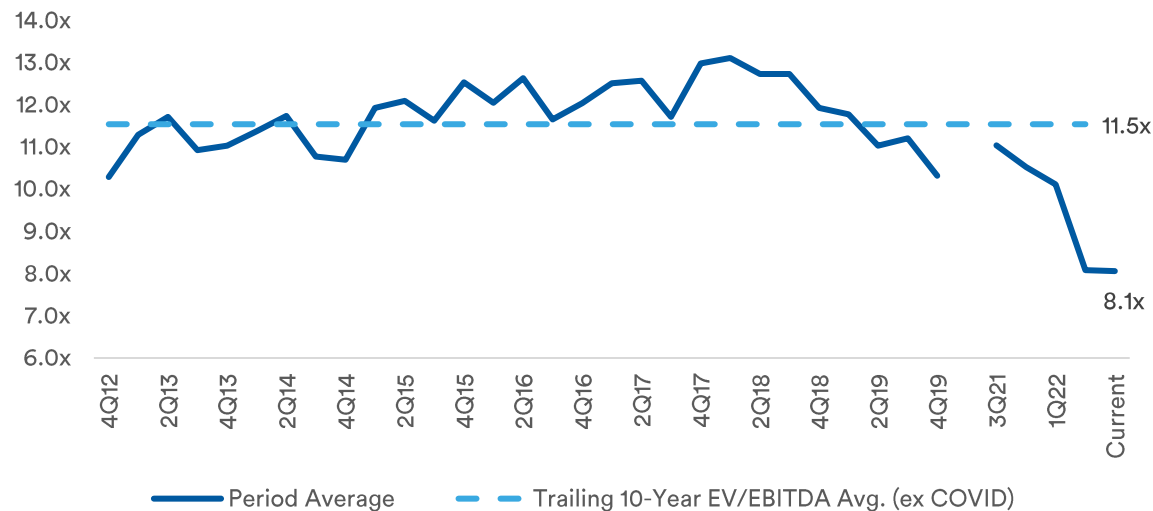
# TROUGH VALUATION ON DEPRESSED EBITDA



## CURRENT MULTIPLE APPEARS TO ASSUME PERMANENT IMPAIRMENT TO FUNDAMENTALS

- **SIX stock has been doubly punished**
  - 1) New CEO's strategy change has depressed near-term EBITDA
    - a) Company has sacrificed attendance in the short-term to create a better guest experience and a higher margin and more profitable customer base, but "ripping the band-aid off" caused a big miss relative to 2022 expectations
  - 2) SIX's multiple has compressed meaningfully, 30% below the historical 10-year average (ex COVID) and sitting at record lows
- **SIX EV/EBITDA multiple of 8x compares to experiential gaming net lease REIT multiples of 15x – 17x**
- **Every 1-turn change in EBITDA multiple is ~30% upside to equity value**

**SIX EV/EBITDA Multiple Hovering at All-Time Lows**



**EBITDA Estimates Have Tumbled Following Strategy Shift**



Source: Bloomberg, KeyBanc, Land & Buildings estimates; Note: Data through 12/16/22

# SIX FLAGS SHARES HAVE BADLY UNDERPERFORMED



## SELF-INFLICTED WOUNDS SHOULD SUBSIDE ALLOWING SHARES TO RECOVER

- While EBITDA is expected to approach 2019 levels, shares are down nearly 70% from prior highs and 50% year-to-date

*SIX Share Price Back to Spring 2020 Levels*



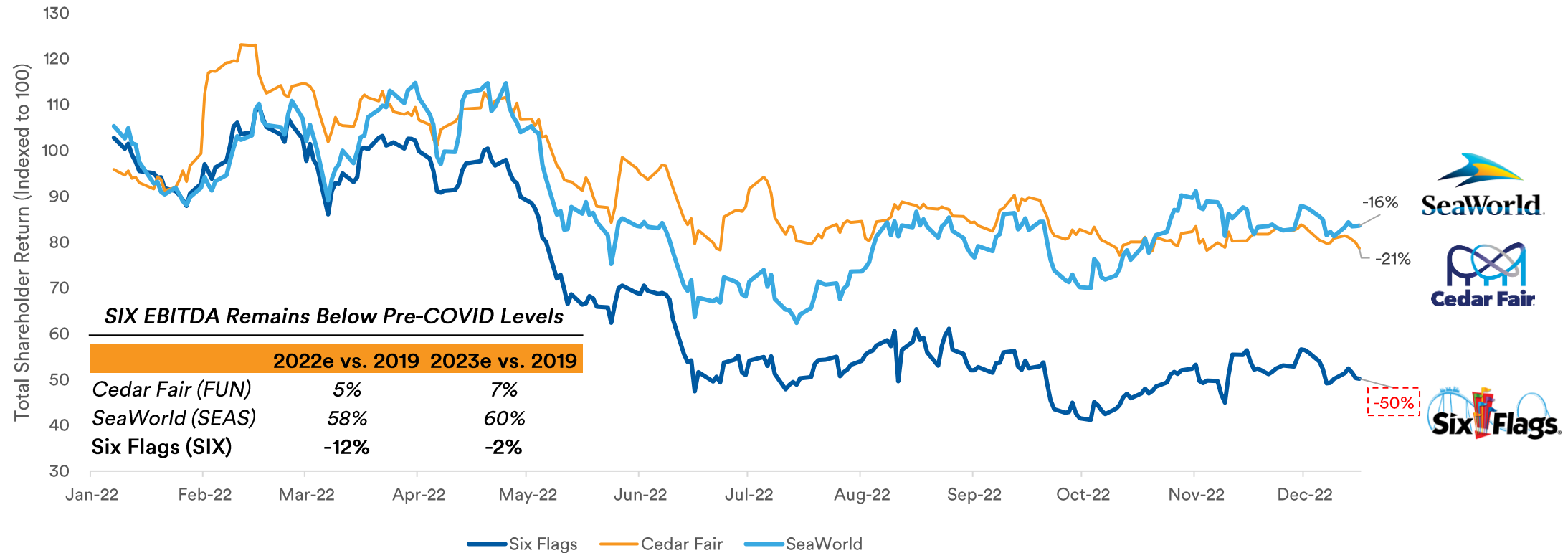
Source: Bloomberg; Note: Data through 12/16/22

# SIX FLAGS ISSUES ARE COMPANY-SPECIFIC



## BADLY LAGGED PEERS YEAR-TO-DATE DURING OPERATIONAL TRANSITION

- SIX public theme park peers, SeaWorld (SEAS) and Cedar Fair (FUN), have performed in-line with US equity markets YTD
- Revenue and EBITDA for SEAS/FUN is well above pre-COVID, levels with attendance near 2019 levels and strong pricing



Source: Company filings, Bloomberg; Note: Data through 12/16/22

# THEME PARK OPERATORS SEEING ROBUST DEMAND



## OPTIMISM HEADING INTO 2023

Disney – Goldman Sachs Communacopia Conference, 9/14/22

“...the situation that we have right now, and we foresee into the future, which is **strong, strong demand for our Parks products**...we keep an eye out on those macroeconomic trends on recession, but we are not seeing any indication right now that it’s going to be impacting us...”

- Bob Chapek, Former CEO



Comcast (Universal) – UBS Global TMT Conference, 12/5/22

“...if you came down from Mars and looked at theme park numbers, you would not think there's a challenging macro environment. **It is astounding.**”

- Jeff Shell, CEO NBC Universal Media



Cedar Fair – Q3 2022 Earnings Conference Call, 11/2/22

“...what drives our optimism for 2023 is solid momentum ...**we've always seen that good momentum leads to better next year's performance...I think it's a really good sign.**”

- Richard Zimmerman, CEO



SeaWorld– Q3 2022 Earnings Conference Call, 11/9/22

“At the end of October 2022, our pass base was at a record level for October, up approximately 26% compared to October of 2019, a **very healthy indicator of consumer demand** for our parks...”

- Michelle Adams, CFO





# THE SIX REAL ESTATE OPPORTUNITY



# SIX OPCO/PROPCO OPPORTUNITY



## SEPARATING REAL ESTATE AND OPERATOR HAS LONG TRACK RECORD OF MAXIMIZING VALUE

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- Six Flags operates 27 amusement parks and attracts tens of millions of guests annually
- It is well-established in the hospitality business that operators can maximize value for all shareholders by separating their real estate from the operator
  - In the 1990s, Marriott (NYSE: MAR) created what is today called Host Hotels & Resorts (NYSE: HST), a \$16 billion REIT owning 78 properties, including iconic Ritz-Carlton and Four Seasons hotels
    - Today, Marriott operates as an asset-light operator of nearly 8,200 hotels around the world driving consistent growth through a variety of fees charged to the property owners
  - In 2016, MGM Resorts (NYSE: MGM) created MGM Growth Properties (NYSE: MGP); MGP owned the real estate of several integrated casino resorts primarily in Las Vegas, and MGM leased the assets and operated the gaming, hotel, and retail businesses
    - In 2022, MGP merged into VICI Properties to create what is now a \$50 billion experiential-focused net lease REIT
- Six Flags has a unique opportunity today to monetize its real estate by creating a REIT or selling its real estate in whole or in part, allowing SIX to become an asset-light operator positioned for rapid growth as operations improve
- Six Flags, under prior leadership, explored monetizing its real estate through a REIT structure in the 2015 - 2017 timeframe and gained comfort with the IRS that such a transaction could be achieved on a tax efficient basis
- **L&B believes that a separation of the SIX real estate could drive 50% upside to the shares today and over 100% upside is possible in the next 18 months** as operational performance improves and EBITDA sees significant growth

Source: Company filings

# PROPCO/OPCO UNLOCKS SUBSTANTIAL VALUE



## OWNED REAL ESTATE LIKELY WORTH MORE THAN CURRENT SIX ENTERPRISE EQUITY

- **Six Flags sum of the parts suggests a potential double by 2024**

- Conservatively underwriting SIX real estate at a 7.25% cap rate relative to richer public experiential net lease REIT and private gaming sale-leaseback comps
- SIX operator multiple of 7x in-line with public gaming operators that lease assets and 1-turn below current SIX multiple

- **Any operational upside can significantly enhance return potential**

2023 Consensus Adj. EBITDA	\$520,000
Current Enterprise Value	\$4,200,000

### Real Estate Value

% of REIT-able Real Estate	75%
EBITDAR Coverage	1.9x
Lease Payment	\$205,263
Cap Rate	7.25%
<b>Real Estate Value</b>	<b>\$2,831,216</b>

### Operator Value

Operator EBITDA	\$314,737
Operator EBITDA Multiple	7.0x
<b>Operator Value</b>	<b>\$2,203,158</b>

<b>Combined OpCo/PropCo</b>	<b>\$5,034,374</b>
Net Debt	(\$2,431,321)
L&B Est. Net Asset Value	\$2,603,053
Outstanding Shares	83,109
L&B Est. NAV/share	\$31.32
Current Share Price	\$21.37
<b>Upside to Equity</b>	<b>47%</b>

2024/2025 EBITDA Goal	\$710,000
Current Enterprise Value	\$4,200,000

### Real Estate Value

% of REIT-able Real Estate	75%
EBITDAR Coverage	1.9x
Lease Payment	\$280,263
Cap Rate	7.25%
<b>Real Estate Value</b>	<b>\$3,865,699</b>

### Operator Value

Operator EBITDA	\$429,737
Operator EBITDA Multiple	7.0x
<b>Operator Value</b>	<b>\$3,008,158</b>

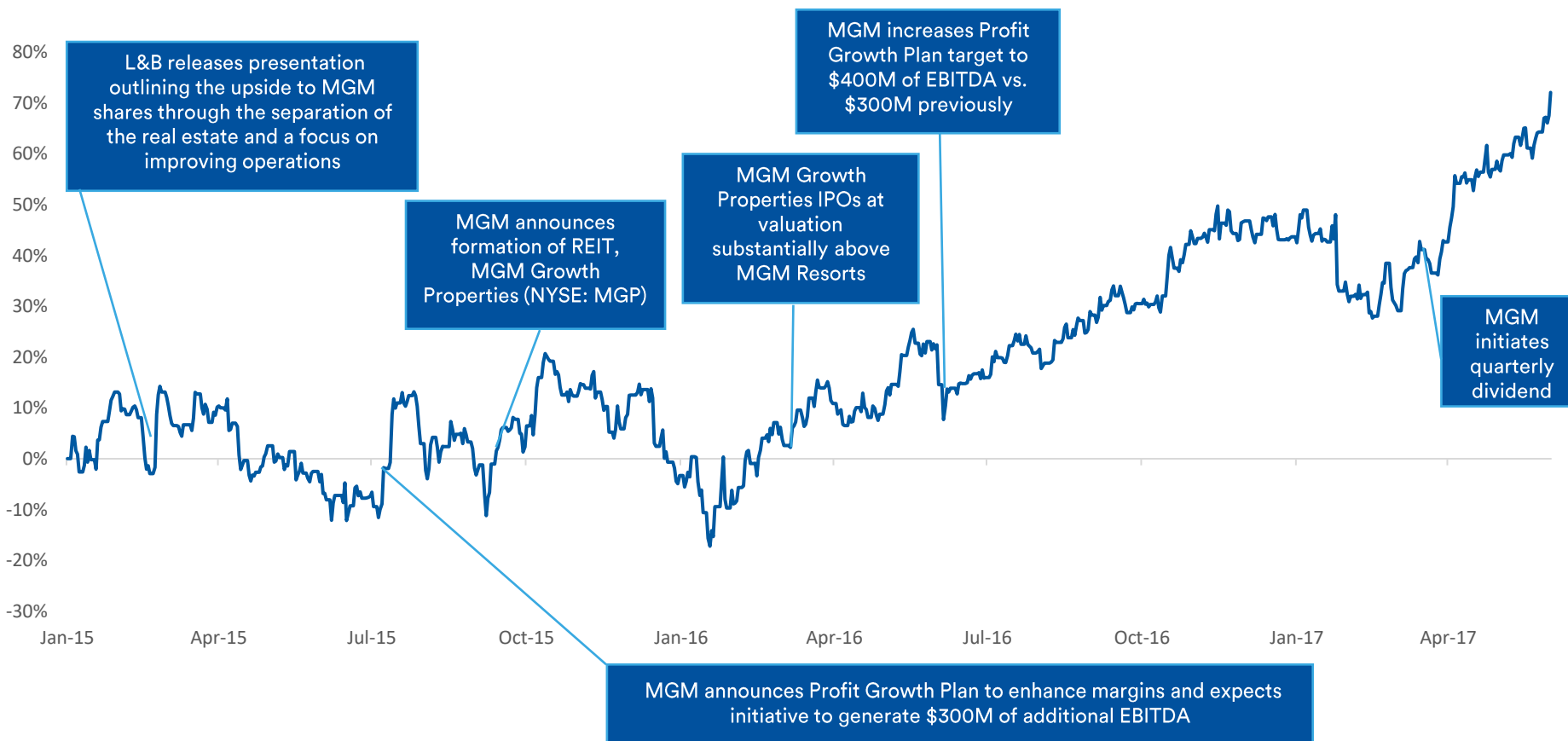
<b>Combined OpCo/PropCo</b>	<b>\$6,873,857</b>
Net Debt	(\$2,431,321)
L&B Est. Net Asset Value	\$4,442,536
Outstanding Shares	83,109
L&B Est. NAV/share	\$53.45
Current Share Price	\$21.37
<b>Upside to Equity</b>	<b>150%</b>

Note: All amounts in \$000's other than per share numbers, multiples and percentages

# CASE STUDY: MGM RESORTS INTERNATIONAL (NYSE: MGM; GAMING)



**MGM RESORTS IS AN OWNER AND OPERATOR OF INTEGRATED CASINO RESORTS, INCLUDING LODGING, RETAIL AND ENTERTAINMENT FACILITIES LOCATED PRIMARILY IN LAS VEGAS AND MACAU.**



## Positive Change/Outcomes:

- > L&B established position in first quarter 2015 and undertook a high-profile campaign
- > L&B highlighted substantial undervaluation of real estate, inferior margins and historically poor capital allocation in a series of presentations, letters, conference calls and videos (see [RestoreMGM.com](http://RestoreMGM.com))
- > L&B's MGM campaign led to the formation of an MGM REIT, significant margin enhancement and superior balance sheet management

Note: Information provided on this slide is intended as an example of our investment research process and is not a recommendation to buy or sell any security mentioned herein. Past performance is not indicative of future performance.

# VICI STATED INTEREST TO ACQUIRE THEME PARKS



## VICI HAS ATTRACTIVE COST OF CAPITAL TO PURSUE ACQUISITIONS

- VICI Properties (VICI) is an experiential REIT that owns a large portfolio of gaming, hospitality and entertainment destinations, including Caesars Palace and the Venetian Resort in Las Vegas
- VICI is well-positioned to buy all or part of SIX's real estate given an attractive cost of capital
  - Explicitly interested in buying theme park real estate, including assets like Six Flags owns
  - \$50B enterprise value makes a SIX transaction highly attractive – small enough to execute in a difficult capital markets environment, but still big enough to move the needle

### VICI'S SIX PILLARS OF EXTERNAL GROWTH

VICI'S GROWTH PLAN CAN DRIVE SCALE AND POTENTIALLY IMPROVE COST OF CAPITAL, LEADING TO THE EXPANSION OF VICI'S INVESTABLE UNIVERSE

1 Embedded Growth Pipeline	2 Property Growth Fund	3 Roll-Up/Roll-Out Opportunities	4 Gaming Opportunities	5 Leisure and Experiential Assets	6 M&A
ROFRs & Put / Call Agreements	Current Tenants	Gaming & Experiential	Domestic & International	Domestic & International	Domestic & International
<ul style="list-style-type: none"> <li>✓ VICI has entered into several right of first refusal and put / call agreements that provide the opportunity for embedded growth</li> <li>✓ Embedded growth pipeline creates "low-hanging fruit" and provides VICI with optionality</li> </ul>	<ul style="list-style-type: none"> <li>✓ VICI's Partner Property Growth Fund funds "same-store" capital for VICI's tenants</li> <li>✓ VICI works collaboratively with tenants and partners to invest in growth opportunities and capital improvements that achieve mutually beneficial outcomes</li> </ul>	<ul style="list-style-type: none"> <li>✓ Ability to help gaming and non-gaming experiential operators fund roll-up opportunities across fragmented industries</li> <li>✓ VICI works to help gaming and non-gaming experiential operators grow store count and increase scale</li> </ul>	<ul style="list-style-type: none"> <li>✓ VICI's existing portfolio is solely U.S.-based; VICI's recent growth provides increased potential to pursue international opportunities</li> <li>✓ Several of VICI's tenants already have existing operations overseas</li> </ul>	<ul style="list-style-type: none"> <li>✓ With investments in Chelsea Piers, Great Wolf, BigShots Golf and Cabot, VICI has made its first allocations of capital outside of gaming</li> <li>✓ OpCo / PropCo model has potential to be pioneered in experiential sectors that have demographic tailwinds</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increased size and potential for enhanced cost of capital allows VICI to pursue additional large-scale acquisitions</li> <li>✓ Track record in the capital markets facilitating both public and private acquisition targets</li> </ul>

### VICI Can Issue Equity to Fund Deals Given Strong Stock Price



Source: Company filings, Bloomberg; Note: Data through 12/16/22

### EXPERIENTIAL REAL ESTATE SECTOR INVESTMENTS

<p><b>Up to \$80MM</b> Senior Secured Loan</p> <ul style="list-style-type: none"> <li>✓ Low secular threat given limited supply of amateur sports facilities in New York City</li> <li>✓ Contains New York's best-located film production studios – a category in very high demand</li> <li>✓ Resilient business model with a historical track record of recovering quickly from financial (e.g., the Great Financial Crisis), civil (e.g., 9/11) and natural (e.g., Hurricane Sandy) crises</li> </ul>	<p><b>\$80MM &amp; \$59MM</b> Mezzanine Financing</p> <ul style="list-style-type: none"> <li>✓ Investments in Perryville and South Florida with the opportunity to provide an additional \$162MM of mezzanine financing to fund the roll out of Great Wolf's platform</li> <li>✓ Capital intensive, operationally complex experiential asset class naturally limits potential for oversupply in the indoor waterpark resort sector</li> <li>✓ Durability of the indoor waterpark resort experience given the continual demographic tailwind of the family formation life stage</li> </ul>	<p><b>Up to \$80MM</b> Mortgage Financing</p> <ul style="list-style-type: none"> <li>✓ Call right to acquire the real estate of any BigShots Golf facility financed by VICI</li> <li>✓ Scalable platform with an identified development pipeline that allows VICI to enter markets where VICI cannot currently invest in commercial gaming assets</li> <li>✓ Local, drive-to destinations that capitalize on consumers shifting to out-of-home entertainment</li> </ul>	<p><b>Up to \$120MM</b> Senior Secured Loan</p> <ul style="list-style-type: none"> <li>✓ Entered into Purchase and Sale Agreement to convert a portion of the loan facility into real estate ownership pursuant to a long-term, triple-net lease</li> <li>✓ Entry into the "Pilgrimage Experience Sector" with a world-leading developer, owner and operator of destination golf resorts</li> <li>✓ Opportunity to serve as Cabot's preferred capital partner as they expand their footprint of pilgrimage golf experiences both domestically and internationally</li> </ul>
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*“...we love the indoor water park business, the theme park business, family entertainment centers.”*

John Payne, COO, VICI Properties (NYSE: VICI)

Q2 2022 VICI Earnings Conference Call, July 28th, 2022

*“...if you want to think about our Las Vegas assets and come up with a corollary... I would encourage you to think of the corollary being theme parks... Because of the mass size, complexity, layout and development potential of these assets.”*

Edward Pitoniak, CEO, VICI Properties (NYSE: VICI)

Q2 2022 VICI Earnings Conference Call, July 28<sup>th</sup>, 2022



# GAMING REAL ESTATE VALUATIONS DEMONSTRATES SIX APPEAL



## PRIVATE AND PUBLIC COMPS FOR GAMING REAL ESTATE HIGHLIGHT EMBEDDED VALUE IN SIX

- Recent private transaction comps for gaming real estate, as well as public gaming REIT valuations, point to a 6 – 7% cap rate and mid-teens multiple for experiential, large format leisure assets like theme parks
- Many of the acquirers of gaming net lease real estate would be interested and well-financed buyers of amusement parks
- Public gaming OpCo valuations supportive of L&B analysis

### Gaming Real Estate Transactions Highly Supportive of Valuation

Date	Acquirer	Property	Value (\$M)	Multiple	Cap Rate
12/1/2022	VICI	MGM Grand and Mandalay Bay JV	\$2,720	17.9x	5.6%
8/25/2022	VICI	Rocky Gap	\$260	13.2x	7.6%
6/28/2022	GLPI	BALY	\$1,000	13.1x	7.6%
6/9/2022	Cherokee Nation	Gold Strike Tunica	\$450	6.0x	7.6%
2/15/2022	Realty Income (O)	Encore Boston Harbor	\$1,700	17.0x	5.9%
12/13/2021	Hard Rock (HRI)	The Mirage	\$1,075	16.8x	6.0%
12/6/2021	GLPI	The Cordish Companies	\$1,810	14.5x	6.9%
9/27/2021	BX BREIT, et al	Cosmopolitan of Las Vegas (Real Estate)	\$4,025	20.1x	5.0%
8/4/2021	VICI	MGP	\$17,200	17.0x	5.9%
7/1/2021	BX	MGM (Real Estate)	\$3,890	18.0x	5.6%
7/1/2021	MGM	City Center; Infinity World (JV partner)	\$2,125	14.0x	7.1%
5/11/2021	MGP	MGM Springfield	\$400	13.3x	7.5%
4/13/2021	GLPI	BALY: Rock Island/Black Hawk	\$150	12.5x	8.0%
4/13/2021	GLPI	Tropicana Las Vegas	\$150	14.3x	7.0%
3/3/2021	VICI	Venetian	\$4,000	16.0x	6.3%
<b>Overall Average</b>				<b>14.9x</b>	<b>6.6%</b>

### Public Gaming REIT Valuations Strong in Difficult Market

Company	Ticker	EV/EBITDA Multiple	Implied Cap Rate
VICI Properties	VICI	15x	5.7%
Gaming and Leisure Properties	GLPI	17x	6.5%
<b>Overall Average</b>		<b>16x</b>	<b>6.1%</b>

### Public Gaming OpCo Valuations Support L&B Estimates

Company	Ticker	EV/EBITDA Multiple	% RE Leased
Penn National Gaming	PENN	7x	100%
Caesars Entertainment	CZR	8x	45%
MGM Resorts	MGM	7x	100%
<b>Overall Average</b>		<b>7x</b>	

VICI



GAMING & LEISURE  
PROPERTIES



CAESARS  
ENTERTAINMENT



MGM RESORTS



PENN NATIONAL  
GAMING, INC.

Source: Company filings, Bloomberg, Green Steet, Bank of America; Note: Gaming OpCo valuations are ex digital gaming value



# HOW WE GOT HERE



# WHAT WENT WRONG IN 2022?



## REPOSITIONING OF PARKS WAS TOO AGGRESSIVE

- New Six Flags CEO Selim Bassoul hit a hard reset in 2022 in order to materially enhance the guest experience and create a more profitable, higher margin business, migrating SIX to a more affluent, family-oriented customer base
- SIX management/shareholders paid a significant “tuition cost” in real-time this year to learn what worked and didn’t
- Attendance plunged as CEO executed on a “premiumization” strategy at Six Flags, raising prices and significantly reducing discounting/perks
  - Year-to-date attendance through October 3<sup>rd</sup> was 39% below 2019 levels, down 25% from depressed 2021 levels
  - However, guest spending per capita was up more than 50% vs. pre-pandemic levels to \$60.96 in 3Q22
  - Perks were significantly curtailed, such as no bring a friend free, no all-season dining plan, new restrictions on season passes, etc.
- Current theme park peer (FUN/SEAS) results around pre-COVID levels clearly illustrate SIX attendance decline was largely self-inflicted
- The seasonal nature of the business and short park season left little room for trial and error and to pivot this year

**Mistakes were clearly made in 2022, but we see no evidence of permanent impairment to parks**

*“In 1994, season passes to Six Flags Great Adventure in Jackson, New Jersey averaged \$75... Fast forward 25 years to 2019, and we were still charging an average of only \$75 for our season pass. Despite the fact that we have invested hundreds of millions of dollars in our parks...”*

Selim Bassoul, CEO, Six Flags (NYSE: SIX)

Q2 2022 SIX Earnings Conference Call, August 11th, 2022

# CEO SELIM BASSOUL — STRONG TRACK RECORD



## MIDDLEBY SUCCESS — DESERVES THE BENEFIT OF THE DOUBT AT SIX

- Selim Bassoul was a celebrated CEO due to his outstanding results at Middleby Corporation (Nasdaq: MIDD), a global leader in foodservice equipment
- His claim to fame, and most relevant to SIX, was his successful track record of ratcheting up the profitability of the more than 70 brands and complementary businesses he led the acquisition of while at Middleby
- Middleby returned over 12,000% during his 18-year tenure, with the market cap growing from \$40 million to nearly \$7 billion
  - Selim grew revenue from just \$100 million when he took the helm to nearly \$3 billion upon his retirement in 2019

*SIX CEO Selim Bassoul*



*Middleby (MIDD) Generated Outstanding Shareholder Returns*



Source: Company filings, Bloomberg

**LOOKING FORWARD TO  
A BETTER 2023**



# LOW EXPECTATIONS FOR 2023 EARNINGS



## PATH TO MEET OR EXCEED INVESTOR EXPECTATIONS

- Six Flags has clear opportunities to improve results on both revenue and expenses
- SIX analysts appear far too conservative on 2023 attendance and EBITDA estimates given sharp hits to revenue and margins in 2022 from the repositioning program, assuming only mid-single digit revenue growth in 2023
- **Multiple revenue growth levers to drive outsized growth in 2023:**
  - Adding back modified dining passes and select perks
  - Increase its targeted marketing campaigns (did minimal marketing this year)
  - Better conversion of single-day ticket visitors to season passes (did poor job in 2022 relative to history)
  - More visits/spending from its new customer base (1/3 of customers are new)
  - Selling more flash passes and upgrades as parks get busier with higher attendance
  - Increased group visits and corporate events which are still recovering from pandemic
- **SIX likely to continue to control and cut costs:**
  - Continued cost cuts by decentralizing park management, reducing redundant offerings/labor, leveraging technology
  - Lower attendance at premium prices makes it easier to reduce costs such as labor, which was not optimized through most of 2022
  - Management has guided to 2023 costs (opex + G&A) to be lower than 2019 while analysts are less optimistic

**Jury is out if “premiumization” is correct strategy, but what is clear is that the optimal version of this strategy was not in place this year – SIX has a low bar to exceed next year**

*“...we left money on the table. For example, our staffing levels were not optimized given the reduced attendance in the first half..”*

Selim Bassoul, CEO, Six Flags (NYSE: SIX)

Q2 2022 SIX Earnings Conference Call, August 11th, 2022

*“...the sustained improvements we are seeing in guest satisfaction and spending per capita and our improved October results give me confidence we are moving in the right direction.”*

Selim Bassoul, CEO, Six Flags (NYSE: SIX)

Q3 2022 SIX Earnings Conference Call, November 10<sup>th</sup>, 2022



# A BETTER GUEST EXPERIENCE



## HIGHER GUEST SATISFACTION CRITICAL TO SIX SUCCESS

- **The Six Flags park experience is getting better and should be rewarded over time**
  - 2022 saw a mismatch between pricing and quality as higher prices met a park experience with improvements still in process
  - 2023 appears poised to see the opposite, where an enhanced guest experience is enjoyed without another sticker shock price increase
- **Improvements to Six Flags parks should be clearly visible next year as capex is spent on high ROI projects and new technology is leveraged to directly enhance the guest experience**
  - ✓ Shorter wait times for ticketing, parking, entry into parks, rides, and food
  - ✓ Better ride efficiency
  - ✓ Increased ability to pre-pay for items and avoid lines
  - ✓ Higher quality and more varied food
  - ✓ Improved Six Flags mobile app experience
  - ✓ Cleaner parks, bathrooms
  - ✓ New attractions and play spaces for younger children
  - ✓ More benches and seating, including cabanas at water parks
  - ✓ Additional shade and places to avoid the sun
  - ✓ Better landscaping with more flowers and greenery
  - ✓ Significantly enhanced special events schedule



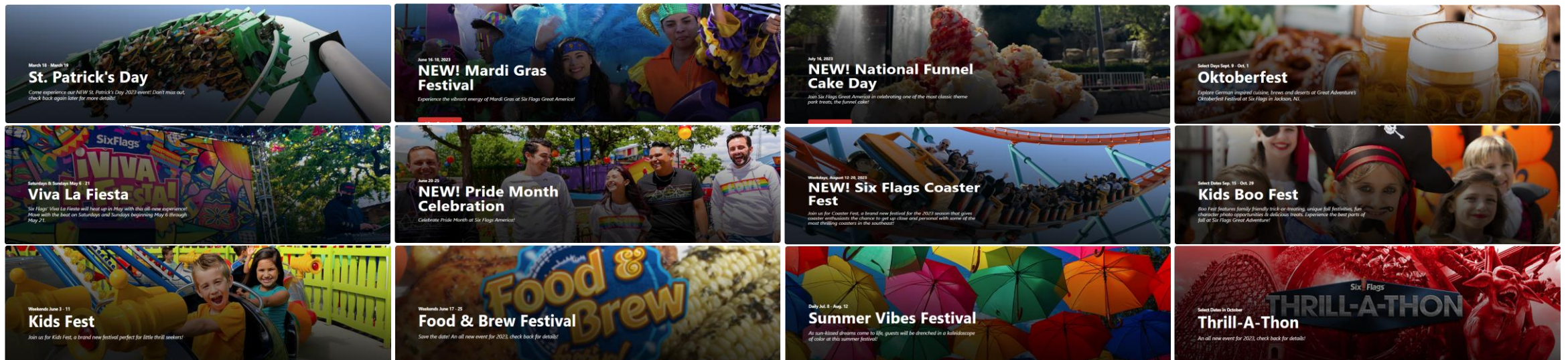
Source: Company filings

# NEW EVENT SCHEDULE TO DRIVE ATTENDANCE



## EVENTS CAN DRIVE REPEAT VISITS AND HIGHER IN-PARK SPENDING

- The new and expanded event schedule across the parks can be a low-cost, high return driver of attendance, giving guests multiple reasons to visit Six Flags
  - Providing unique experiences at the parks throughout the year makes each visit unique, targets different subsets of customers, and leans into guests' desire for experiential fun
  - Major upgrades to park rides and infrastructure are costly and may take years to bear fruit, while new events can have an immediate uplift to revenue and profitability
  - The Company's strong October was driven by the growing popularity of Fright Fest and the addition of a highly successful Oktoberfest, providing an early indication of how this strategy can succeed in 2023



Source: Company filings

## REAL ESTATE SALES CAN FAST-TRACK PATH TO BUYBACKS AND DIVIDENDS

- A monetization of Six Flags real estate would be a positive balance sheet catalyst that can turn this stock back into a return of capital story
  - 1) Share buyback
    - As the balance sheet is fortified, SIX can begin buying back stock if the share price remains depressed
  - 2) Dividend reinstatement on the horizon
    - Six Flags eliminated its dividend at the beginning of the pandemic in April 2020 to conserve cash
    - In 4Q19, SIX paid a \$0.83 quarterly dividend (\$3.32 annualized), equal to a 16% dividend yield at the current share price
    - Reinstating a sustainable dividend will come into focus as leverage declines

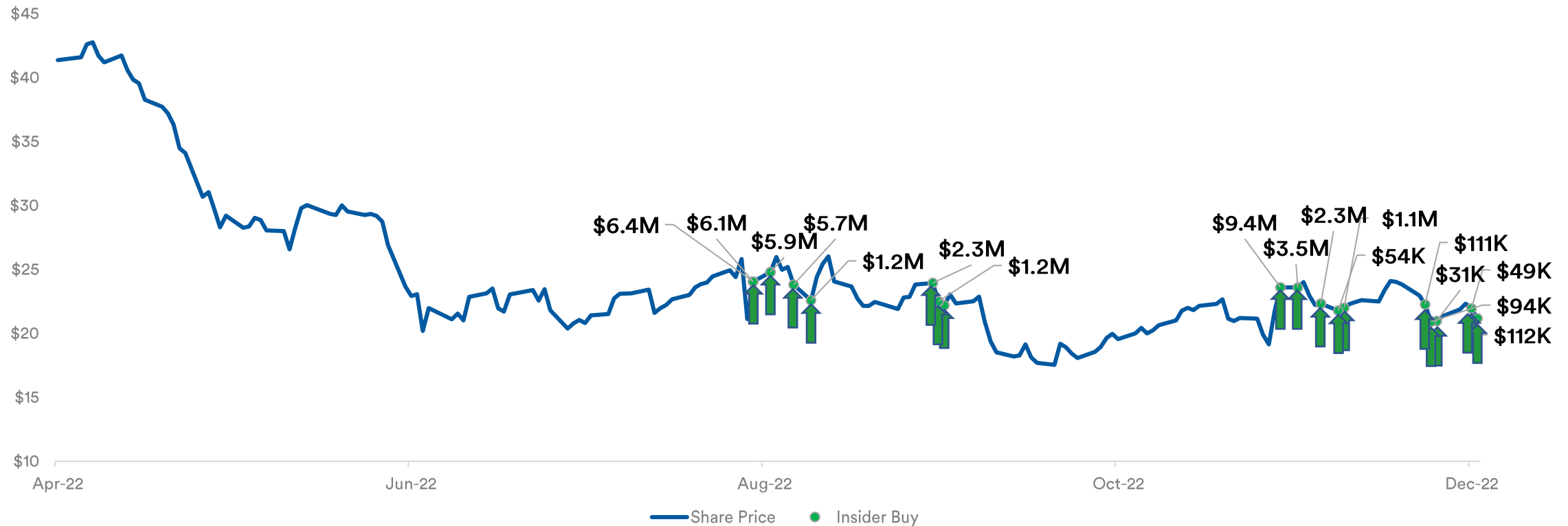
**Not only would a partial or full monetization of real estate unlock substantial value, it would also accelerate SIX's debt paydown, provide cash for buybacks and quicken dividend reinstatement**

# INSIDERS BUYING STOCK



## INSIDER TRANSACTIONS UNDERScore CONFIDENCE IN COMPANY'S POTENTIAL

- Despite investor sentiment plumbing lows, insiders are buying stock
  - H Partners, whose Partner Arik Ruchim serves on the SIX Board of Directors, is the Company's largest shareholder (14% owner) and has purchased over \$45 million of stock since the initial disappointing 2Q22 earnings report at an average price ~10% above current
  - New CFO Gary Mick bought \$650,000 of stock in between September and December



Source: Company filings; Note: Data through 12/16/22



# NO NEW SUPPLY



## SUPPLY-PROTECTED INDUSTRY

- There is virtually no new construction of regional theme parks in the United States, providing a moat around the business
- The last major regional theme park to be built in the US was the Hard Rock Park (aka Freestyle Music Park), a music-themed amusement park in Myrtle Beach, South Carolina, that opened in 2008 and was permanently closed in 2009 amid the financial crisis
- New smaller-scale experiential leisure such as escape rooms, trampoline parks, and TopGolf are gaining in popularity and growing, but are not directly competitive with the full-day regional theme park experience



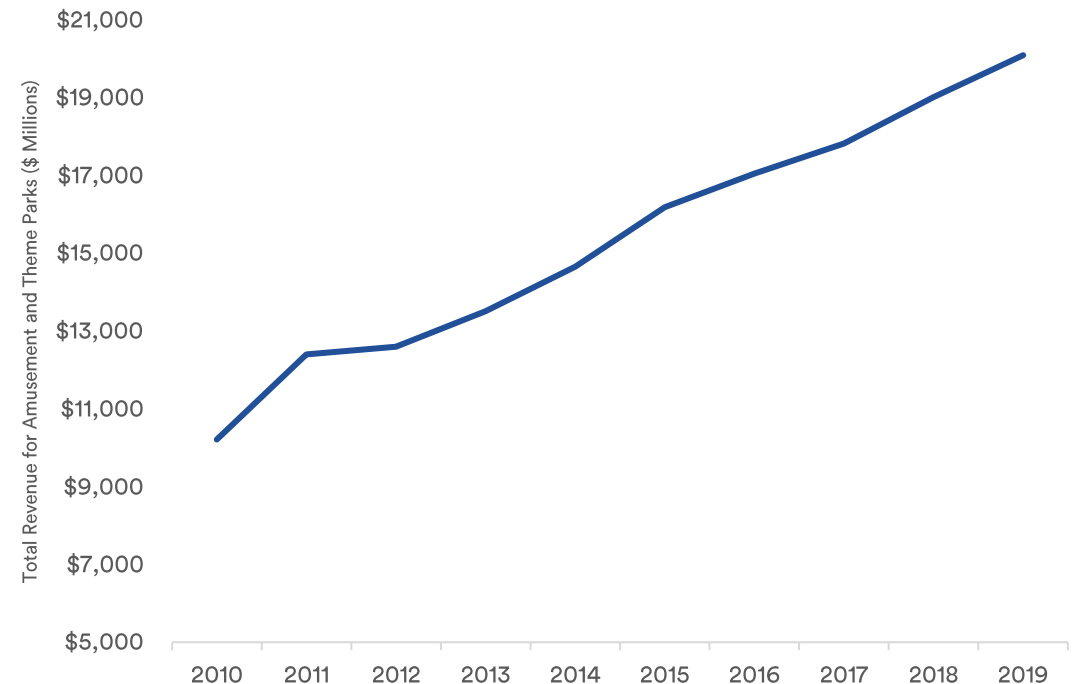
January 2, 2009

Ride over for Hard Rock Park



Source: U.S. Census Bureau

*With No New Supply, Growing Revenues Go to Existing Operators*



# THEME PARKS SHOULD WEATHER THE STORM



## THEME PARKS ARE STEADY GROWERS AND HISTORICALLY RESILIENT

- SIX and its closest peer Cedar Fair (FUN) have consistently generated mid-single digit revenue growth in normalized environments
- SIX revenues declined -11% in 2009, with FUN experiencing a similar decline, and recovered quickly

**VARIETY** August 30<sup>th</sup>, 2022

**WHY THEME PARKS ARE PROVING RESSION-PROOF**

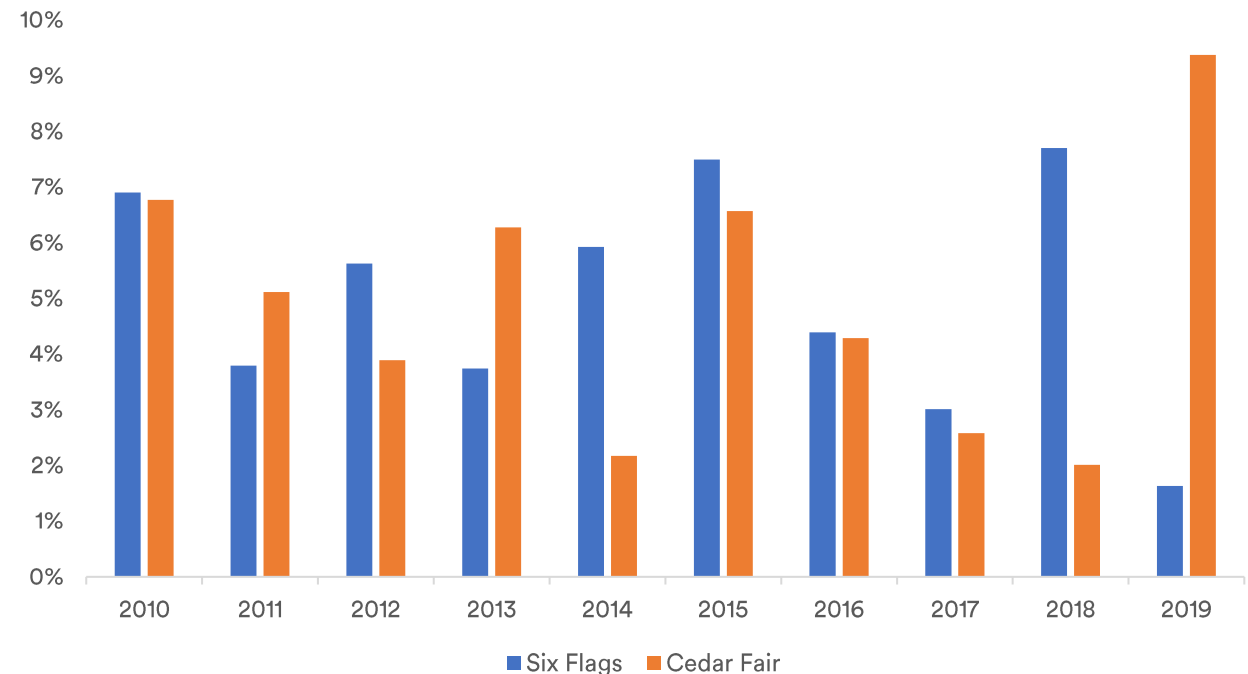
**FORTUNE** May 6<sup>th</sup>, 2008

**No such thing as recession in Disneyland?**

**Attractions** April 27<sup>th</sup>, 2010  
MANAGEMENT

**Theme park industry weathering the recession**

*Parks Generate Steady Revenue Growth with Resilience in Recessions*



Source: Company filings

# CONCLUSION





## AN OPPORTUNITY TO UNLOCK SUBSTANTIAL REAL ESTATE VALUE

- Land & Buildings is a significant shareholder of Six Flags and believes the Company is materially undervalued, as the real estate is worth more than the implied equity value of the Company based on today's share price
- SIX's new CEO has pursued an aggressive repositioning of the Company's parks, which should drive long-term benefits but adversely impacted attendance in 2022, resulting in recent EBITDA results being depressed
  - Conversely, amusement park peers have seen meaningful attendance improvement and recovery of EBITDA to pre-pandemic levels
- VICI Properties (NYSE: VICI), an experiential \$50 billion REIT, has expressed a strong interest in acquiring real estate related to theme parks and has the liquidity and cost of capital to acquire Six Flags' real estate at a favorable valuation for SIX shareholders; Gaming and Leisure Properties (Nasdaq: GLPI), Realty Income (NYSE: O), EPR Properties (NYSE: EPR), and Blackstone, as well as numerous private equity funds, are likely interested and capable buyers as well
- L&B recently met with SIX senior management, including CEO Selim Bassoul, at the Company's headquarters and believes:
  1. The Company will seriously evaluate the monetization of its real estate in whole or in part;
  2. SIX is working hard to optimize the repositioning put in place in 2022 to drive higher attendance and EBITDA in 2023, and L&B is increasingly optimistic about a successful turnaround;
  3. The dialogue with the Company should remain constructive

**L&B believes the combination of a monetization of SIX real estate and optimization of the repositioning plan could see the share price double in the next 18 months**

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