Entertainment & Leisure
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COMPANY UPDATE / ESTIMATE CHANGE / PRICE TARGET CHANGE

Key Metrics		
FUN - NYSE (as of 2/15/17)		$65.95
Two Year Price Target		$73.00
52-Week Range		$51.57 - $65.96
Shares Outstanding (mil) (basic)		56.0
Market Cap. ($ mil)		$3,690
3-Mo. Average Daily Volume		139,407
Institutional Ownership		51%
Total Debt ($mm) (12/16)		$1,537
Total Partners' Equity (12/16) (mil)		$61
Book Value/Share (12/16)		NM
Price/Book Value		NM
Annual Cash Distribution & Yield ~	$3.42	5.2%
Adjusted EBITDA Margin (TTM ended 12/16)		37%

EPS FY 12/31 (GAAP-based figures)

	2015	2016	Prior 2017E	Curr. 2017E
1Q	($1.50)	($0.87)		
2Q	$1.02	$1.03		
3Q	$2.92	$3.10		
4Q	($0.46)	($0.12)		
Year	$1.99	$3.14	$3.55	$3.55
P/E	33.1x	21.0x		18.6x

Note: Quarterly EPS figures may not add to annual figure due to rounding and the impact of quarterly results fluctuating between profits and net losses.

Revenue ($mm)

	2015	2016	Prior 2017E	Curr. 2017E
1Q	$47	$58		
2Q	$377	$388		
3Q	$645	$650		
4Q	$167	$192		
Year	$1,236	$1,289	$1,330	$1,340

Company Description: *Cedar Fair Entertainment Co. owns and operates eleven amusement parks, three water parks, and five hotels. Cedar Fair is structured as a limited partnership and as such has historically paid the majority of cash flow to unit holders in the form of quarterly cash distributions. Investors receive an annual K-1 statement to help determine their tax liability.*

Cedar Fair Entertainment Co.

FUN — NYSE — Long-term Buy-3

Good 4Q Results; Raising Price Target

Investment Highlights

- **4Q results were impressive, in our view.** Due to seasonality factors for this amusement park operator, 4Q typically represents only a small part of annual results. This year, the quarter's revenues grew and the net loss shrunk, both more so than we expected.

- **4Q revenues increased 15% due mainly to holiday events at various parks.** This includes growth of Halloween-related events at most parks and the debut of Christmas-related events at certain parks. Adjusted EBITDA (earnings before interest, taxes, depreciation & amortization) of $53.5 million was well above $29.6 million a year ago and our estimate of $36.2 million. Adjusted EBITDA margin for 4Q surged based on efficiencies from higher business levels.

- **We remain optimistic regarding FUN's business outlook.** Capital spending projects, continued cost discipline, well-managed operations, growing cash flow, and a decent economy remain key factors in our thesis. Also, this summer should represent a favorable comparison to last year when several weather-related challenges negatively impacted results.

- **We reiterate our Long-term Buy rating and are raising our two-year price target by $5 to $73 per unit.** We have updated our financial projections and believe the company's future is bright. Our higher price target reflects progression of time and a higher forward earnings base; it does not assume valuation expansion from the current level. Based on the current unit price, we believe annualized total return potential, including cash distributions, could be 10-11%. Our Suitability rating remains 3.

Note Important Disclosures on Pages 6-7
Note Analyst Certification on Page 6.

Exhibit 1
Fourth Quarter Results (figures in millions except percentages and per share data)

	3 Months Ended			Year Ended		
	12/31/16	**12/31/15**	**% chg.**	**12/31/16**	**12/31/15**	**% chg.**
Admissions	$111.2	$96.0	15.9%	$716.2	$687.4	4.2%
Food, Merchandise and Games	53.6	50.0	7.2%	407.7	398.0	2.4%
Accommodations and Other	27.1	20.9	29.6%	164.9	150.3	9.7%
Net Revenues	**192.0**	**166.9**	**15.0%**	**1,288.7**	**1,235.8**	**4.3%**
Cost of Food, Merch., Games Rev.	13.7	14.0	(1.5%)	106.6	104.8	1.7%
Operating Expenses	97.5	93.6	4.1%	538.9	517.6	4.1%
Selling, General & Admin. Exp.	39.7	38.2	4.0%	181.8	171.5	6.0%
Depeciation & Amortization	13.7	15.5	(11.4%)	131.9	125.6	5.0%
Nonrecurring Items	7.2	11.4	N/A	12.6	20.9	N/A
Operating Income	$20.1	($5.8)	N/A	$316.9	$295.3	7.3%
Adjusted EBITDA ~	**$53.5**	**$29.6**	**80.5%**	**$481.2**	**$459.2**	**4.8%**
Net Income (Loss)	($6.8)	($25.7)	(73.5%)	$177.7	$112.2	58.3%
N.I. (Loss) Per Diluted Unit	($0.12)	($0.46)	(73.9%)	$3.14	$1.99	57.8%
Avg. Number of Units Outst.	56.0	55.8	0.3%	56.6	56.4	0.4%
As a % of Net Revenues:			**bp chg.**			**bp chg.**
Operating Expenses	50.77%	56.08%	(531)	41.82%	41.89%	(7)
Selling, General & Admin. Exp.	20.71%	22.89%	(219)	14.11%	13.88%	23
Adjusted EBITDA	27.85%	17.75%	1,011	37.34%	37.16%	18

~ Earnings before interest, taxes, depreciation, amortization, and other non-cash items.

Source: Cedar Fair Entertainment Co. Note: December fiscal year

Additional comments on 4Q. We were quite pleased with FUN's 4Q results, including a 15% revenue gain and an 80% increase in adjusted EBITDA, which we find to be the most relevant and most watched financial metric for FUN. Success of Halloween events (a relatively new industry trend) continued and some of FUN's parks debuted Christmas-related events to add to the quarter's offerings. While such 4Q events can be affected by weather, we are pleased to see FUN pursuing opportunities to add attendance and market the parks for the spring/summer season.

For all of 2016, adjusted EBITDA rose 4.8% and adjusted EBITDA margin improved 18 basis points. Attendance, guest per capita spending, and out-of-park spending (includes hotels and restaurants) were all above previous year levels. We consider it a highly successful year.

Financial condition. The company is leveraged, consistent with its operating history and somewhat of an industry norm. Total debt at 12/31/16 was $1.537 billion, comprised of $940 million in fixed rate notes and $597 million of variable rate term debt (converted to fixed rate debt through the use of swap agreements). There was no outstanding balance on the company's revolving credit facility (used for seasonal needs). Total assets were $2.007 billion, including cash of $122 million. Partners' equity, reflective of seasonality and the leveraged capital structure, was a modest $60 million.

We remain comfortable with FUN's financial condition. The consolidated leverage ratio (long-term debt divided by trailing adjusted EBITDA) has gradually declined in recent years as EBITDA has grown. This figure was 3.2x at year-end 2016, down from 3.4x one year earlier. Debt covenants are being comfortably met and interest coverage is sufficient, in our view. Perhaps most importantly, debt service has not impeded capital spending, pursuit of growth initiatives, or cash distributions in recent years.

Cash distribution raise. In November 2016, FUN's Board approved a 4% increase to the cash distribution, taking the quarterly rate to $0.855 per unit. The current annualized rate of $3.42 per unit produces a yield of 5.2% based on the current unit price.

Going forward, we expect similar increases in the rate at about the same time of the year. This is possible, in our view, due to free cash flow available after capital expenditures and interest payments, both of which are at considerable levels. We consider FUN's cash distribution an important part of total return potential.

Outlook. We were pleased with the company's results in 2016 and are enthused about opportunities ahead. Management reiterated the company remains on track to reach its annual adjusted EBITDA goal of $500 million by the end of 2017, one year earlier than its original target of 2018. Based mainly on our growing confidence in the business, we have raised our 2017 financial estimates. Our revenue estimate is raised by $10 million to $1.340 billion, while our adjusted EBITDA estimate is raised by $5 million to $503 million. This represents a compounded annual growth rate of 5.2% with 2012 serving as the base year. Also, we are initiating a 2018 adjusted EBITDA estimate of $525 million, up 4.4% from our 2017 estimate.

Unit price and valuation. As noted in Exhibit 2, Enterprise Value (using year-end net debt figures) divided by our newly raised estimate of 2017 adjusted EBITDA is 10.2x, while the valuation on our projections of 2018 adjusted EBITDA and net debt is 9.7x.

Exhibit 2
Valuation Analysis (figures in millions except ratios and per share data)

		2018E	**2017E**	**2016**	**2015**	**2014**	**2013**
Share Price (2/15/17)	$65.95						
Recent Share Count, diluted	56.5						
Market Capitalization	$3,726.2						
Total Debt, year end, net of cash		$1,365.0	$1,390.0	$1,414.0	$1,439.0	$1,427.0	$1,402.6
Enterprise Value (EV)		$5,091.2	$5,116.2	$5,140.2	$5,165.2	$5,153.2	$5,128.8
Adj. EBITDA (exclud. nonrecurring items)		$525.0	$503.0	$481.2	$459.2	$431.3	$425.4
% chg.		4.4%	4.5%	4.8%	6.5%	1.4%	8.8%
EV / Adj. EBITDA		**9.7x**	**10.2x**	**10.7x**			

Note: Valuation multiples are based on current market capitalization figures and projected year-end net debt levels.

Source: Cedar Fair Entertainment Co. and Hilliard Lyons estimates Note: December fiscal year

These valuations are slightly above levels that existed one year ago, but we view current fundamentals as being stronger than one year ago. Existing assets are performing well, and new assets (such as a new sports complex for hosting amateur/youth sporting events) and new endeavors (such as Christmas events at the parks) add potential for future growth. The current 10.2x multiple on estimated 2017 adjusted EBITDA is within a recent historical range that we estimate at 8-11x. We feel a double-digit multiple can be justified by strong fundamentals (seven consecutive years of record results), an encouraging cash flow outlook, and favorable cash distribution decisions. We believe the current valuation is reasonable and could expand slightly in future years if annual adjusted EBITDA growth surpasses our projected rate of 4.5%.

Opinion. We maintain our Long-term Buy rating on FUN and believe it has appeal for its total return potential or as a pure income vehicle. Our two-year price target is raised by $5 to $73 per unit. In determining our target, we assume a valuation level—10.0x our 2019 adjusted EBITDA projection — slightly below the current 10.2x multiple on our 2017 adjusted EBITDA estimate. We feel this is a reasonable assumption based on a favorable fundamental outlook and the historical valuation range. We also assume annual adjusted EBITDA growth of about 4.5%. Based on the current unit price and our target, annualized total return potential is in the 10%-11% range, including expected cash distributions.

We consider cash distributions adequately covered by cash flow and believe modest annual increases are likely. We view the current yield of 5.2% favorably and consider future cash distributions a significant part of expected total return.

Suitability. Our Suitability rating of 3 (see definitions in the Important Disclosures section) is primarily based on a leveraged balance sheet, with other factors being market capitalization, the discretionary nature of the business, and our perception of FUN's overall risk profile.

Risks. Factors that could impact Cedar Fair's results and therefore our profit projections include general economic conditions, overall levels of leisure spending, pricing power, the competitive landscape, weather conditions, the pace of new project construction, potential asset sales, prevailing interest rates, and other factors. We believe swings in gasoline prices can affect attendance levels to some degree but this factor has historically had more of an impact on in-park spending. Also, cash flow utilization (capital spending, debt reduction, and cash distributions) may be subject to investor scrutiny.

As a limited partnership, Cedar Fair has historically paid out the majority of available cash flow to unit holders in the form of cash distributions. Cedar Fair does not pay federal income tax as a corporation or small business would. In 1998, however, the partnership became subject to a relatively small tax on gross income that allows FUN to retain the limited partnership status. Investors, particularly long-term holders, may be subject to a tax on their pro rata share of the partnership's taxable income. The income allocated to each unit holder is based on the number of units held and the unit acquisition date. Information needed for filing federal, state, and local tax returns is presented annually to the unit holder on a Schedule K-1 form.

This entity is classified as a Partnership for US income tax purposes. Tax information is provided by the Partnership directly to the investor on Form 1065, Schedule K-1. Please discuss the tax implications of this investment with a qualified tax advisor.

Annual yield is calculated by dividing the distribution amount by the current price of the security. All or a portion of the Company's distributions are paid from the Partners Capital Account at the Company's discretion. Actual classification for income tax purposes is reported on IRS Form 1065, Schedule K-1 and is provided directly to the investor by the Company. For U.S. income tax purposes, the Company will make a determination regarding all allocable tax information after calendar year end on Form 1065, Schedule K-1. Partnership interests held in tax-exempt accounts including retirement plans and Individual Retirement accounts may be subject to Unrelated Business Income Tax (UBIT). We urge each investor to consult with his or her own tax advisor to determine the tax consequences of ownership of partnership interests, including any state, local, or foreign tax considerations.

Exhibit 3
GAAP-based Income Statement (figures in millions except percentages and per share data)

	2017E	2016	2015	2014	2013
Admissions	$744.0	$716.2	$687.4	$661.5	$647.0
Food, Merchandise and Games	424.0	407.7	398.0	365.5	356.1
Accommodations and Other	172.0	164.9	150.3	132.6	131.5
Net Revenues	1,340.0	1,288.7	1,235.8	1,159.6	1,134.6
% change	4.0%	4.3%	6.6%	2.2%	6.2%
Cost of Food, Merch, Games	113.0	106.6	104.8	95.2	91.8
Operating Expenses	561.0	538.9	517.6	496.1	472.3
SG&A Expenses	185.0	181.8	171.5	156.9	152.4
Depreciation & Amort.	138.0	131.9	125.6	124.3	122.5
Gain on Sale of Other Assets	0.0	0.0	0.0	(0.9)	(8.7)
Impairment/Retir. of Fixed Assets	0.0	12.6	20.9	9.8	2.5
Operating Income	343.0	316.9	295.3	278.3	301.8
Interest Expense, net	85.0	83.9	86.8	96.3	103.1
Net Effect of Swaps	0.0	(1.2)	(6.9)	(2.1)	6.9
Loss on Early Exting. of Debt	0.0	0.0	0.0	29.3	34.6
Unrealized Currency Loss (Gain)	0.0	(14.6)	81.0	40.9	28.9
Other Expenses (Income)	(0.4)	(0.2)	(0.1)	(0.0)	(0.2)
Income Before Taxes	258.4	249.1	134.4	114.0	128.4
Provision for Taxes	56.8	71.4	22.2	9.9	20.2
Net Income	$201.6	$177.7	$112.2	$104.1	$108.2
Net Inc. Per Diluted Unit	$3.55	$3.14	$1.99	$1.86	$1.94
Avg. Diluted Units Outstanding	56.7	56.6	56.4	56.0	55.8
Adjusted EBITDA	**$503.0**	**$481.2**	**$459.2**	**$431.3**	**$425.4**
% change	4.5%	4.8%	6.5%	1.4%	8.8%
As a % of Net Revenues:					
Cost of Food, Merch, Games	8.43%	8.27%	8.48%	8.21%	8.09%
Operating Expenses	41.87%	41.82%	41.89%	42.78%	41.63%
SG&A Expenses	13.81%	14.11%	13.88%	13.53%	13.43%
Adjusted EBITDA	37.54%	37.34%	37.16%	37.19%	37.50%
Depreciation & Amortization	10.30%	10.23%	10.17%	10.72%	10.80%

Source: Cedar Fair Entertainment Co. and Hilliard Lyons estimates Note: December fiscal year

Additional information is available upon request.

Analyst Certification

I, Jeffrey S. Thomison, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

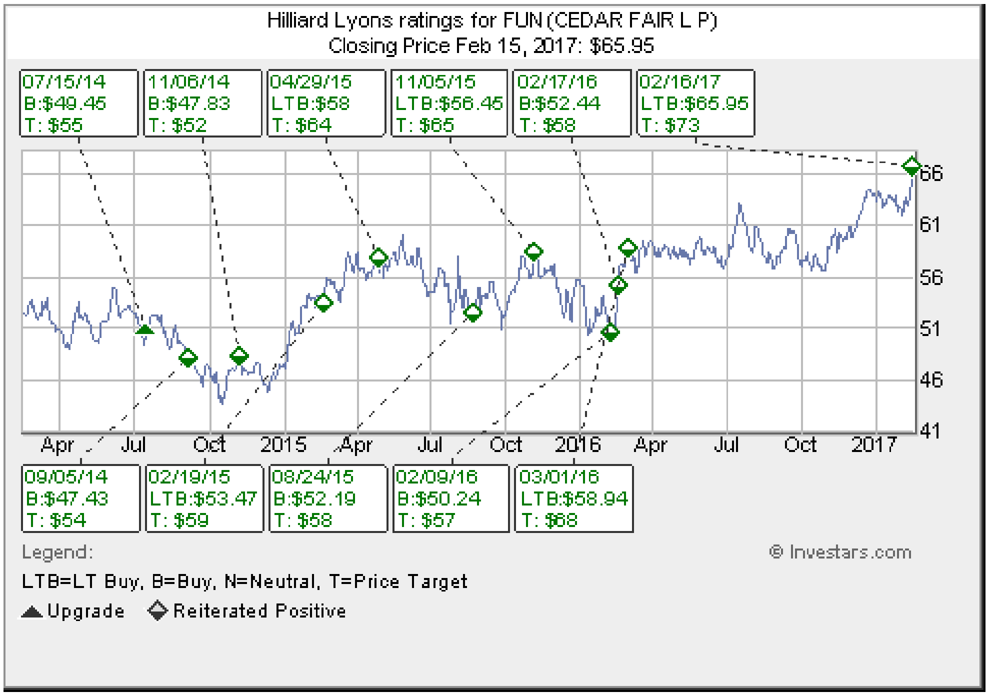
Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings reflect a two to three year time period.

Other Disclosures

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