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COMPANY UPDATE / ESTIMATE CHANGE

Cedar Fair Entertainment Co.

FUN — NYSE — Long-term Buy-3

3Q Results In Line With Our Expectations

Key Metrics

FUN - NYSE	(as of 11/2/17)		$65.42
Two Year Price Target			$77.00
52-Week Range			$58.05 - $72.56
Shares Outstanding (mil) (basic)			56.1
Market Cap. ($mil)			$3,669
3-Mo. Average Daily Volume			127,490
Institutional Ownership			52%
Total Debt ($mil) (9/17)			$1,659
Total Partners' Equity ($mil) (9/17)			$75
Book Value/Share (9/17)			NM
Price/Book Value			NM
Annual Cash Distribution & Yield ~		$3.56	5.4%
Adjusted EBITDA Margin (TTM ended 9/17)			37%

EPS FY 12/31 (GAAP-based figures)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	($0.87)		($1.16) A		
2Q	$1.03		$0.55 A		
3Q	$3.10		$3.38 A		
4Q	($0.12)	$0.12	$0.22		
Year	$3.14	$2.90	$3.00	$3.50	$3.40
P/E	20.8x		21.8x		19.2x

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 ($mil)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	$58		$48 A		
2Q	$388		$393 A		
3Q	$650		$653 A		
4Q	$192	$208	$212		
Year	$1,289	$1,300	$1,305	$1,375	$1,375

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.*

Investment Highlights

- **Key 3Q metrics were pleasing, especially given some challenging weather during the high volume period.** Net revenues increased less than 1% from the year ago period, while adjusted EBITDA (earnings before interest, taxes, depreciation & amortization) declined by less than 1%. On a same-park basis (excluding a water park divestiture in September 2016), attendance and average in-park per capita spending increased about 1%. Results were in line with our most recent estimates.
- **Several factors impacted the quarter.** Adverse weather conditions were prevalent in some of FUN's markets, including some typically high volume days surrounding Labor Day. Also, increases in season pass sales likely crimped per capita spending (admissions and in-park purchases such as food, beverages, and premium services). We believe this is a natural side effect of having season pass holders represent a greater percentage of park guests.
- **The year could end on an encouraging note, in our opinion.** 4Q will bring an increase in park operating days, with more parks (5 vs. 2) participating in the *WinterFest* event in November-December. This is in addition to what we believe were generally successful Halloween events at numerous parks in October. For 2018, new attractions, additional hotel capacity, some pricing power, and a decent economy are key factors in our thesis. We expect record revenue and adjusted EBITDA this year and next.
- **We maintain our LT Buy rating and our two-year price target of $77 per unit.** We believe adjusted EBITDA can grow at least 4% annually in most years, without acquisitions. Our price target reflects a valuation similar to the current level. Based on the current unit price, we believe annualized total return potential, including cash distributions, is about 14%. Our Suitability rating remains 3.

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

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

	Three Months Ended			Nine Months Ended		
	9/24/17	9/25/16	% chg.	9/24/17	9/25/16	% chg.
Admissions	$361.3	$361.9	(0.2%)	$598.7	$604.9	(1.0%)
Food, Merchandise and Games	205.1	202.3	1.4%	356.5	354.0	0.7%
Accommodations and Other	86.3	86.0	0.3%	138.6	137.8	0.6%
Net Revenues	652.7	650.3	0.4%	1,093.8	1,096.8	(0.3%)
Cost of Food, Merch., Games Rev.	52.6	52.1	1.1%	92.4	92.9	(0.5%)
Operating Expenses	202.7	199.3	1.7%	447.4	441.4	1.3%
Selling, General & Admin. Exp.	71.7	65.1	10.1%	151.1	142.1	6.4%
Depeciation & Amortization	70.1	64.7	8.3%	126.2	118.2	6.8%
Nonrecurring Items	(0.5)	1.4		1.2	5.4	
Operating Income	$256.1	$267.8	(4.4%)	$275.5	$296.8	(7.2%)
Adjusted EBITDA ~	**$333.6**	**$336.0**	**(0.7%)**	**$417.9**	**$427.8**	**(2.3%)**
Net Income (Loss)	$191.3	$175.0	**9.3%**	$157.9	$184.5	(14.4%)
N.I. (Loss) Per Diluted Unit	$3.38	$3.10	9.0%	$2.79	$3.27	(14.7%)
Avg. Number of Units Outst.	56.6	56.4	0.4%	56.6	56.4	0.4%
As a % of Net Revenues:			bp chg.			bp chg.
Cost of Food, Merch., Games Rev.	8.07%	8.01%	6	8.45%	8.47%	(2)
Operating Expenses	31.06%	30.65%	41	40.90%	40.25%	65
Selling, General & Admin. Exp.	10.98%	10.01%	97	13.82%	12.95%	86
Adjusted EBITDA	51.12%	51.67%	(55)	38.20%	39.00%	(80)

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

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

Additional comments on 3Q. The company's 3Q is typically the largest quarter of the year, as it represents the bulk of summer vacations and travel. This year presented less than ideal weather on some typically high volume days. Still, the company produced a slight revenue gain. Some higher expenses led to a slight drop in adjusted EBITDA and associated margin, yet not to a concerning degree. Collectively, the portfolio of amusement parks, water parks, and hotels served the company well during this crucial period, in our view. Sales of season passes and dining/beverage plans were up from year ago levels, while the parks offered overall higher quality offerings due to effective capital spending over the past year. We were pleased with key financial metrics for the quarter, including adjusted EBITDA of approximately $334 million compared to our estimate of $336 million, with weather likely having an impact on results.

Financial condition. The company is leveraged, consistent with its operating history and somewhat of an industry norm. Total debt at 9/24/17 was $1.659 billion, comprised of $936 million in fixed rate notes and $723 million of variable rate term debt (converted to fixed rate debt through the use of swap agreements). Total assets at 3Q end were $2.176 billion, including cash of $249 million. Partners' equity, reflective of seasonality and the leveraged capital structure, was $76 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 3.5x at the end of 3Q. 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 nor do we expect it to in the coming years.

CEO succession plan. On 10/4/17, the company announced a succession plan involving the Chairman and CEO positions. Current CEO Matt Ouimet, who came to Cedar Fair from The Walt Disney Co. in 2011, will assume the role of Executive Chairman on 1/1/18. The current Chairman, Eric Affeldt, will become a regular Board member. Cedar Fair's current President, Richard Zimmerman, will assume the CEO role on that date. Mr. Zimmerman has been with the company for over 20 years and in the entertainment/leisure industry for over 30 years. He was named President of Cedar Fair in 2016. We were enthused about the hiring of Mr. Ouimet in 2011, as we were familiar with him from our investment coverage of Disney. We expected him to remain CEO of Cedar Fair for a few more years. We are also quite familiar with Mr. Zimmerman, who has been accessible to the analyst/investment community during his career at Cedar Fair. We think highly of his industry perspective and management skills. Although we are comfortable with the succession plan, we note it is occurring a few years earlier than we anticipated.

Cash distribution update. In addition to releasing 3Q results, FUN's Board approved a 4% increase to the cash distribution, taking the quarterly rate to $0.89 per unit. The new annualized rate of $3.56 per unit produces a yield of 5.4% based on the recent closing unit price. The rate of increase was the same as one year ago. Going forward, we expect similar increases at about this time of year. This is possible, in our view, due to ample free cash flow 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 are encouraged by solid year-to-date results and are generally bullish on the outlook for 4Q 2017 and 2018. The company has a long history of enviable results and we believe the quality of the assets (parks and hotels) and the management team are better now than at any point in the company's history.

Based on 3Q results and our latest views on 4Q, we have made minor changes to our 2017 financial model. This includes a slight raise to our revenue estimate to $1.305 billion, and no change to our adjusted EBITDA projection of $484 million. This reflects a slightly boosted expectation regarding 4Q holiday events at the parks.

Our 2018 outlook is also little changed. We project revenue growth of just over 5%. We consider 4% adjusted EBITDA growth to be a typical benchmark; however, with an exciting capital expenditure program for the parks and a relatively easy comparison to a challenged 2017, we believe adjusted EBITDA could increase over 6% in 2018.

Unit price and valuation. As noted in Exhibit 2 on the following page, Enterprise Value (using year-end net debt figures) divided by our estimate of 2017 adjusted EBITDA is 10.7x, while the valuation on our projections of 2018 adjusted EBITDA and net debt is 9.9x. This translates to an approximate 10.2x multiple on projected twelve-month forward adjusted EBITDA. As a matter of information, we note that at the time of rating change to LT Buy on 3/1/16, the multiple on our projected forward adjusted EBITDA estimate was 9.8x.

Although current valuations are slightly above levels that existed a year or so ago, we view fundamentals as being stronger today. Existing assets are performing well, in our view, and new assets (such as water park additions and a new sports complex for hosting amateur/youth events) and new endeavors (such as holiday events at several parks) add potential for incremental growth. The current 10.2x multiple on projected twelve-month forward adjusted EBITDA compares to a recent historical range that we estimate at 8-12x.

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

		2018E	2017E	2016	2015	2014	2013
Share Price (11/2/17)	$65.42						
Recent Share Count, diluted	56.6						
Market Capitalization	$3,702.6						
Total Debt, year end, net of cash		$1,400.0	$1,475.0	$1,414.0	$1,419.0	$1,427.0	$1,402.6
Enterprise Value (EV)		$5,102.6	$5,177.6	$5,116.6	$5,121.6	$5,129.6	$5,105.2
Adj. EBITDA (exclud. nonrecurring items)		$515.0	$484.0	$481.2	$459.2	$431.3	$425.4
% chg.		6.4%	0.6%	4.8%	6.5%	1.4%	8.8%
EV / Adj. EBITDA		**9.9x**	**10.7x**	**10.6x**			

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

We feel the current multiple is 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 be maintained in future years if adjusted EBITDA can grow at an annualized rate of 4%.

Opinion. We maintain our Long-term Buy rating on FUN and believe the units have appeal for total return potential or as a pure income vehicle. Our two-year price target is $77 per unit. In determining our target, we assume a valuation level—10.3x our projection of forward adjusted EBITDA in two years—similar to the current forward multiple. We feel this is reasonable based on our confidence in new incremental revenue streams, a favorable fundamental outlook, and the historical valuation range. Based on the current unit price and our target, annualized total return potential is approximately 14% including expected cash distributions.

We consider cash distributions adequately covered by cash flow and believe modest annual increases are likely. As mentioned, the 4% rate hike was just announced. We view the current yield of 5.4% 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)

	2018E	2017E	2016	2015	2014
Admissions	$765.0	$723.0	$716.2	$687.4	$661.5
Food, Merchandise and Games	430.0	413.0	407.7	398.0	365.5
Accommodations and Other	180.0	169.0	164.9	150.3	132.6
Net Revenues	1,375.0	1,305.0	1,288.7	1,235.8	1,159.6
% change	5.4%	1.3%	4.3%	6.6%	2.2%
Cost of Food, Merch, Games	115.0	109.3	106.6	104.8	95.2
Operating Expenses	581.0	552.0	538.9	517.6	496.1
SG&A Expenses	194.0	190.0	181.8	171.5	156.9
Depreciation & Amort.	142.0	140.0	131.9	125.6	124.3
Gain on Sale of Other Assets	0.0	(1.9)	0.0	0.0	(0.9)
Impairment/Retir. of Fixed Assets	0.0	3.1	12.6	20.9	9.8
Operating Income	343.0	312.5	316.9	295.3	278.3
Interest Expense, net	86.0	85.6	83.9	86.8	96.3
Net Effect of Swaps	0.0	4.0	(1.2)	(6.9)	(2.1)
Loss on Early Exting. of Debt	0.0	23.1	0.0	0.0	29.3
Unrealized Currency Loss (Gain)	0.0	(35.0)	(14.6)	81.0	40.9
Other Expenses (Income)	(0.3)	(0.5)	(0.2)	(0.1)	(0.0)
Income Before Taxes	257.3	235.3	249.1	134.4	114.0
Provision for Taxes	64.3	65.0	71.4	22.2	9.9
Net Income	$193.0	$170.3	$177.7	$112.2	$104.1
Net Inc. Per Diluted Unit	$3.40	$3.00	$3.14	$1.99	$1.86
Avg. Diluted Units Outstanding	56.8	56.7	56.6	56.4	56.0
Adjusted EBITDA	**$515.0**	**$484.0**	**$481.2**	**$459.2**	**$431.3**
% change	6.4%	0.6%	4.8%	6.5%	1.4%
As a % of Net Revenues:					
Cost of Food, Merch, Games	8.36%	8.38%	8.27%	8.48%	8.21%
Operating Expenses	42.25%	42.30%	41.82%	41.89%	42.78%
SG&A Expenses	14.11%	14.56%	14.11%	13.88%	13.53%
Adjusted EBITDA	37.45%	37.09%	37.34%	37.16%	37.19%
Depreciation & Amortization	10.33%	10.73%	10.23%	10.17%	10.72%

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

Additional information is available upon request.

Prices of other stocks mentioned: The Walt Disney Co. - DIS - $98.35 - LT Buy

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

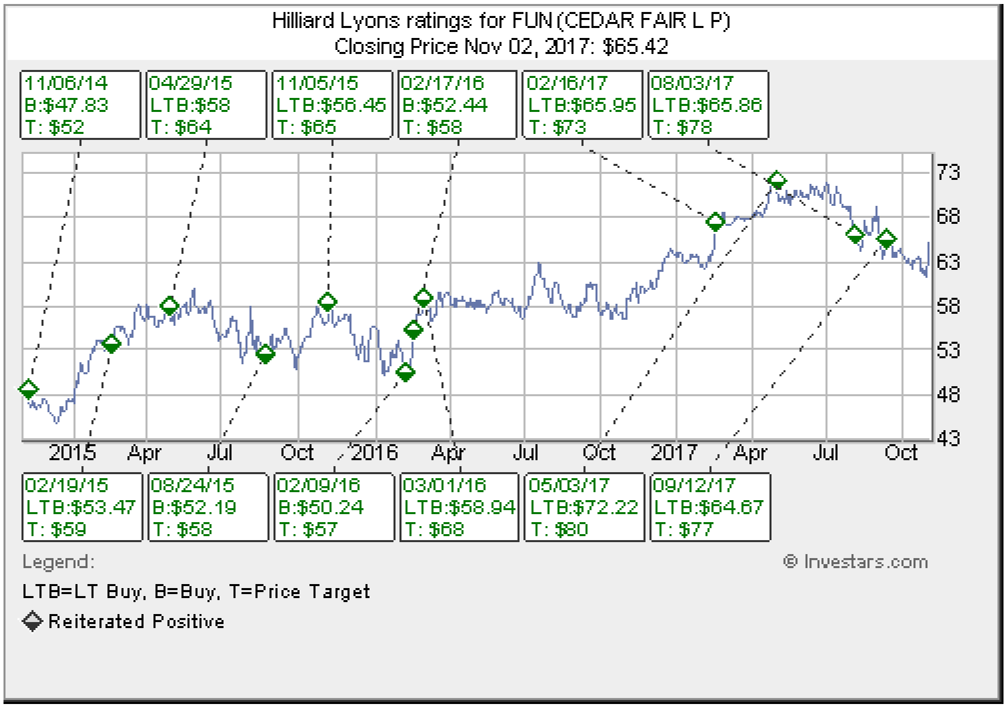
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.
Neutral - We believe 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	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 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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