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

Key Metrics		
SIX - NYSE (as of 10/26/17)		$62.63
Two-year Price Target		$72.00
52-Week Range		$51.25 - $65.19
Shares Outstanding (mil) (basic)		84.5
Market Cap. ($mil)		$5,291
3-Mo. Average Daily Volume		1,620,000
Institutional Ownership		91%
Total Debt ($mil) (9/17)		$2,020
Total Stockholders' Equity ($mil) (9/17)		($573)
Book Value/Share (9/17)		NM
Price/Book Value		NM
Annual Dividend & Yield	$2.56	4.1%
Adjusted EBITDA Margin (TTM ended 9/17)		38%

EPS FY 12/31 (GAAP-based figures)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	($0.51)		($0.63) A		
2Q	$0.64		$0.59 A		
3Q	$1.09		$2.11 A		
4Q	$0.02	$0.09	$0.10		
Year	$1.25	$1.74	$2.12	$2.32	$2.31
P/E	50.1x		29.5x		27.1x

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	$115		$100 A		
2Q	$407		$422 A		
3Q	$558		$580 A		
4Q	$239	$249	$253		
Year	$1,319	$1,342	$1,355	$1,440	$1,445

Company Description: *Six Flags Entertainment Corporation is the world's largest regional amusement park company with 20 amusement parks and water parks across the U.S., Mexico, and Canada. International operations, and related growth initiatives, exist through licensing relationships. The company currently has projects in various stages of development in Dubai, China, and Vietnam. Six Flags is headquartered in Grand Prairie, TX.*

Six Flags Entertainment Corp.

SIX — NYSE — Long-term Buy-3

Solid 3Q Results Despite Weather Challenges; Fundamentals Remain Favorable

Investment Highlights

- **3Q results were relatively pleasing to us.** Fundamentals were solid, in our view, despite some challenges presented by adverse weather conditions in certain markets. Two hurricanes and an earthquake impacted park operations in Texas, Georgia, the general east coast region, and Mexico City. Despite the situation, total 3Q revenues rose 4% from the year ago period, led by higher attendance, price increases, and greater international licensing revenue. Adjusted EBITDA of $300.9 million rose about 1%; this was below our expectation, due entirely to the weather anomalies.
- **Fundamentals appear favorable to us.** Challenges from the adverse weather situations have essentially passed. We like recent growth in season pass sales, dining plan programs, sponsorships, guest satisfaction scores, and interest from potential international partners in licensing deals. Cash flows are allowing for effective reinvestment into the parks, dividend payments, and share repurchases, all of which we view positively.
- **We consider SIX a well-run, high-quality operator in the theme park industry.** We like the portfolio of properties, brand equity, and growth opportunities.
- **With a 4.1% current yield, SIX shares have a compelling income component.** Dividends are well covered by cash flow, in our view, and the rate has been raised for seven consecutive years.
- **Our two-year price target is raised by $3 to $72 per share.** This is based on our estimate of forward results two years from now, and assumes a valuation below the current level. Total return potential based on the current share price is approximately 11%. Our Suitability rating remains 3, which is mainly based on the company's leveraged balance sheet.

Note Important Disclosures on Pages 7-8.
Note Analyst Certification on Page 7.

Exhibit 1
Consolidated Statements of Income (figures in millions except percentages and per share data)

	Quarter Ended			Nine Months Ended		
	9/30/17	9/30/16	% chg.	9/30/17	9/30/16	% chg.
Admissions	$331.2	$311.4	6.4%	$604.1	$585.3	3.2%
Food, Merchandise and Other	223.9	220.7	1.4%	429.0	427.3	0.4%
Sponsorship, Licensing, and Other	20.8	20.3	2.5%	56.8	53.9	5.3%
Accommodations	4.5	5.2	(13.5%)	12.4	13.6	(8.8%)
Total Revenues	580.4	557.6	4.1%	1,102.3	1,080.1	2.1%
Cost of Products Sold	46.0	44.3	3.8%	91.0	90.4	0.6%
Operating Expenses	166.7	151.2	10.2%	404.5	387.4	4.4%
SG&A Expenses	47.3	44.1	7.2%	135.7	132.9	2.1%
Depreciation & Amortization	28.5	27.4	4.2%	82.6	79.3	4.2%
Stock-based Compensation	(35.7)	90.0	N/A	(39.1)	96.2	N/A
Loss on Disposal of Assets	2.0	0.8	151.6%	4.3	0.9	375.0%
Operating Income	325.7	199.8	63.0%	423.2	292.9	44.5%
Interest Expense, net	25.7	21.2	21.5%	73.9	60.8	21.5%
Loss on Early Exting. of Debt	0.0	0.0		37.1	2.4	
Other Expenses (Income)	0.4	1.3		0.0	2.0	
Income Before Taxes	299.6	177.3	68.9%	312.1	227.7	37.1%
Provision for Taxes	98.7	55.7	77.3%	97.1	72.9	33.3%
Net Income, Contin. Oper.	200.9	121.7	65.1%	215.0	154.9	38.8%
Net Income Attrib. to Noncontrol. Int.	(19.6)	(19.2)	2.0%	(39.2)	(38.4)	2.0%
N.I. Attrib. to Six Flags, Contin. Oper.	$181.3	$102.5	76.9%	$175.8	$116.4	51.0%
N.I. Per Diluted Share, Contin. Oper.	$2.11	$1.09	94.0%	$1.97	$1.23	59.8%
Avg. Diluted Shares Outstanding	85.9	94.2	(8.8%)	89.4	94.7	(5.5%)
Modified EBITDA	**$320.5**	**$318.0**	0.8%	**$471.1**	**$469.5**	0.4%
Adjusted EBITDA	**$300.9**	**$298.8**	0.7%	**$431.9**	**$431.1**	0.2%
As a % of Total Revenues:			bp chg.			bp chg.
Cost of Products Sold	7.92%	7.94%	(2)	8.26%	8.37%	(12)
Operating Expenses	28.71%	27.11%	160	36.70%	35.87%	83
SG&A Expenses	8.15%	7.92%	24	12.31%	12.30%	1
Modified EBITDA	55.22%	57.04%	(182)	42.74%	43.47%	(73)
Adjusted EBITDA	51.84%	53.59%	(175)	39.18%	39.91%	(73)
Depreciation & Amortization	4.92%	4.91%	0	7.50%	7.35%	15
Adjusted EBITDA, Less:						
Cash Interest Paid	(29.9)	(26.7)	11.6%	(76.7)	(63.4)	20.9%
Capital Expenditures	(19.3)	(20.2)	(4.3%)	(116.5)	(100.9)	15.5%
Cash Taxes Paid	(5.3)	(3.3)	59.9%	(11.2)	(14.0)	(20.2%)
Free Cash Flow	**$246.4**	**$248.5**	(0.9%)	**$227.5**	**$252.7**	(10.0%)
Dividends Paid	$54.8	$54.6	0.3%	$168.0	$161.5	4.0%

Source: Six Flags Entertainment Corporation Note: December fiscal year

Further comments on 3Q results. Results for the quarter ended September 30, 2017 were impacted by adverse weather conditions; otherwise, we consider the results favorable. Hurricane Harvey and its after-effects impacted attendance at three Six Flags parks in late August and early September. Hurricane Irma impacted business at the company's Atlanta and east coast parks. Finally, earthquakes around Mexico City disrupted the area and caused some damage to the company's water park, which is expected to re-open before year end. Other than the Mexico City water park, conditions and business environments at other locations seem back to normal levels, although the peak attendance season at most parks has passed.

3Q revenues of $580 million were up 4% from the year ago period and reflected 3% growth in attendance, higher prices, and greater international licensing revenue. Total guest per capita spending was up 2% in the quarter to $42.94. This statistic is likely impacted by rising season pass sales, which typically results in lower per capita spending due to multiple visits during the season by the pass holder. However, considering profitability and margins, we believe greater season pass sales is a more desirable business attribute than an increase in per capita spending.

Financial condition. SIX operates under a leveraged capital structure. At September 30, 2017, the company had $2.020 billion in total debt, $82 million in cash, and a $573 million deficit in shareholders' equity. Shareholders' equity was positive throughout 2015 and moved to a deficit in 2016 due in part to rising debt balances and the effects of share repurchases. The net leverage ratio (net debt divided by trailing adjusted EBITDA) was 3.8x; we are generally comfortable with levels below 4.5x. SIX's financial statements can vary on a quarter-to-quarter basis due to the seasonality of the business. Cash has historically risen in the September quarter, following the peak operating season.

Recent news. International growth plans continue, as the company recently announced the addition of three more parks to be built in China. A new concept—Six Flags Kids World—will target families with young children and will be adjacent to Six Flags Zhejiang and Six Flags Chongqing, both of which are currently in development. Additionally, the all-new Six Flags Adventure Park, offering high-energy thrill attractions, will adjoin Six Flags Chongqing. The new properties are expected to open in 2020. Six Flags' China properties represent licensing deals and are being funded by a development partner.

There was also recent news on the domestic front, as Six Flags Magic Mountain near Los Angeles will transition to a 365 days-a-year park next year. This will add over 100 operating days from its recent operating schedule. The park is seeking a greater share of the Southern California tourism market. Magic Mountain has 19 roller coasters, believed to be the highest total for any park in the world.

Dividends. We consider SIX's dividend a positive factor. The stock's current yield is 4.1%. Dividends were initiated in 2010 shortly after a reorganization and issue of common shares. In late 2010, the company announced a quarterly dividend rate of $0.015 per share (adjusted for subsequent stock splits). This rate was boosted to $0.30 per share in early 2012 and has risen every year since. The most recent increase, a 10.3% hike to a quarterly rate of $0.64 per share, was announced in November 2016.

We believe the quarterly dividend rate is likely to be increased each year during the 4Q period, keeping in step with recent history. We believe increases in the mid to upper single digit percentage range represents the most likely scenario in future years, acknowledging a variety of potential uses for the company's cash flow after debt service, including capital spending and share repurchases. Importantly, we believe dividends are well covered by cash flow.

Outlook. The company's "Project 600" business plan was implemented several years ago and included a goal of $600 million in modified EBITDA (earnings before interest, taxes, depreciation and amortization). Modified EBITDA is similar to adjusted EBITDA but includes third party interest in EBITDA of certain operations. Based on 1H 2017 results and in accordance with accounting standards, management recently viewed that goal as "no longer probable."

However, the company recently reiterated its modified EBITDA target of $750 million by 2020; this goal represents compounded annual growth of 7.6% using 2015 as the base year. While we believe this is achievable, our outlook assumes a figure just shy of that target. We believe growth can come from a combination of attendance gains, price increases, season pass and dining plan sales, international licensing, and potential acquisitions. We feel EBITDA is the most-watched financial metric among investors in this industry.

We have fine-tuned our financial outlook to reflect 3Q results and our view of the current 4Q, which includes holiday events at most parks. For all of 2017, we now estimate total revenues at $1.355 billion (up from $1.342 billion previously) and adjusted EBITDA of $515 million (down from $535 million previously). The revenue estimate hike represents a milder impact from the weather anomalies than we feared, while the decline in our adjusted EBITDA estimate reflects higher operating costs. We have fine-tuned our 2018 outlook as well, with modest changes to key metrics.

Valuation. Enterprise Value (using estimated year-end net debt figures) divided by our 2017 adjusted EBITDA estimate is 14.2x. The multiple is 12.5x based on our 2018 projections. This translates into an approximate 12.8x multiple on projected twelve-month forward adjusted EBITDA. We estimate a valuation range on forward adjusted EBITDA to be 10x-14x over the past five years.

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

		2018E	2017E	2016	2015	2014
Share Price (close on 10/26/17)	$62.63					
Diluted Share Count , most recent	85.9					
Market Capitalization	$5,378.4					
Total Debt, year end, net of cash		$1,850.0	$1,925.0	$1,516.3	$1,405.8	$1,321.6
Enterprise Value (EV)		$7,228.4	$7,303.4	$6,894.7	$6,784.2	$6,700.0
Adj. EBITDA (exclud. nonrecurring items)		$580.0	$515.0	$506.6	$481.4	$439.3
% chg.		12.6%	1.7%	5.2%	9.6%	8.7%
EV / Adj. EBITDA		**12.5x**	**14.2x**	**13.6x**		

Note: Estimated figures assume declining net debt and stable share base, although a portion of future free cash flow could be applied toward share repurchases.

Source: Six Flags Entertainment Corporation and Hilliard Lyons estimates Note: December fiscal year

Opinion. We believe SIX shares have attractive total return potential. Equity investors with a focus on income may find the shares compelling given the current 4.1% yield. We consider dividends well covered by cash flows, which we believe are on an upward trend due to the growth strategy in place. Moreover, we expect the announcement of a dividend raise in November.

We like Six Flags' operating history, property portfolio, management team, and financial outlook. We feel positive attributes include potential for margin improvement, substantial cash flows, strong brand equity, expanding international opportunities, and a generous dividend with annual growth potential. A strong capital expenditure program can lead to higher attendance figures and improved in-park spending for years to come, in our view. Meanwhile, high margin licensing revenues could increase each year due to planned projects by third party investors/operators in numerous international markets.

Our rating on SIX is Long-term Buy and our two-year target price is $72 per share, an increase of $3 per share from our previous figure. Our new target represents an Enterprise Value/adjusted EBITDA valuation of 11.6x based on our estimate of forward EBITDA two years from now. This valuation compares to the current forward multiple of approximately 12.8x and an estimated range of 10x-14x over the past five years. We believe an Enterprise Value/adjusted EBITDA multiple of 12x is reasonable for SIX, given all factors. In fact, the median figure for this valuation over the past ten years is 11.9x. With projected dividends, total return potential based on the current price is roughly 11%.

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

Risks. Risk factors that could impact Six Flags' results and therefore our profit projections include general economic conditions, overall levels of leisure spending, pricing power, the competitive landscape, weather conditions, pace of new project construction, potential asset sales, prevailing interest rates, geopolitical risks that could affect international expansion plans, guest safety, and other factors. Also, 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. Finally, cash flow utilization (capital spending, debt reduction, share buybacks, and cash distributions) may be subject to investor scrutiny.

Exhibit 3
Consolidated Statements of Income (figures in millions except percentages and per share data)

	2018E	2017E	2016	2015	2014
Admissions	$780.5	$739.0	$715.4	$687.8	$641.5
Food, Merchandise and Other	561.0	527.0	521.2	500.2	460.1
Sponsorship, Licensing, and Other	87.0	73.5	66.3	59.1	57.3
Accommodations	16.5	15.5	16.5	16.8	16.9
Total Revenues	1,445.0	1,355.0	1,319.4	1,263.9	1,175.8
% change	6.6%	2.7%	4.4%	7.5%	5.9%
Cost of Products Sold	119.0	111.0	109.6	100.7	90.5
Operating Expenses	540.0	507.0	489.4	465.2	437.4
SG&A Expenses	191.0	178.0	175.5	178.6	170.9
Depreciation & Amortization	115.0	110.0	106.9	107.4	108.1
Stock-based Compensation	30.0	(20.0)	116.3	56.2	140.0
Loss on Disposal of Assets	0.0	5.4	2.0	9.9	5.9
Gain on Sale of Investee	0.0	0.0	0.0	0.0	(10.0)
Operating Income	450.0	463.6	319.8	345.9	233.0
Interest Expense, net	97.0	95.0	81.9	75.9	72.6
Loss on Early Exting. of Debt	0.0	37.7	2.9	6.6	0.0
Other Expenses (Income)	1.0	0.5	1.7	0.2	0.4
Income Before Taxes	352.0	330.4	233.3	263.2	160.0
Provision for Taxes	112.6	102.0	76.5	70.4	46.5
Net Income, Contin. Oper.	$239.4	$228.4	$156.7	$192.8	$113.5
Net Income Attrib. to Noncontrol. Int.	(41.0)	(40.0)	(38.4)	(38.2)	(38.0)
N.I. Attrib. to Six Flags, Contin. Oper.	$198.4	$188.4	$118.3	$154.7	$75.5
N.I. Per Diluted Share, Contin. Oper.	$2.31	$2.12	$1.25	$1.58	$0.76
Avg. Diluted Shares Outstanding	85.7	88.9	94.4	98.0	98.1
As a % of Total Revenues:					
Cost of Products Sold	8.24%	8.19%	8.31%	7.97%	7.70%
Operating Expenses	37.37%	37.42%	37.09%	36.81%	37.20%
SG&A Expenses	13.22%	13.14%	13.30%	14.13%	14.54%
Operating Income	31.14%	34.21%	24.24%	27.37%	19.81%
Modified EBITDA	42.91%	40.96%	41.31%	41.11%	40.59%
Adjusted EBITDA	40.14%	38.01%	38.40%	38.09%	37.36%
Depreciation & Amortization	7.96%	8.12%	8.10%	8.50%	9.19%
Modified EBITDA	**$620.0**	**$555.0**	**$545.0**	**$519.6**	**$477.3**
% change	11.7%	1.8%	4.9%	8.9%	7.5%
Adjusted EBITDA	**$580.0**	**$515.0**	**$506.6**	**$481.4**	**$439.3**
% change	12.6%	1.7%	5.2%	9.6%	8.7%
Less:					
Cash Interest Paid	(87.0)	(83.0)	(68.8)	(70.5)	(66.7)
Capital Expenditures	(145.0)	(144.0)	(128.9)	(114.2)	(107.8)
Cash Taxes Paid	(35.0)	(18.0)	(17.3)	(15.0)	(16.8)
Free Cash Flow	**$313.0**	**$270.0**	**$291.6**	**$281.7**	**$248.0**
Dividends Paid	$236.0	$225.0	$220.0	$201.0	$184.3
% change	4.9%	2.3%	9.5%	9.0%	4.6%

Source: Six Flags Entertainment Corporation 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

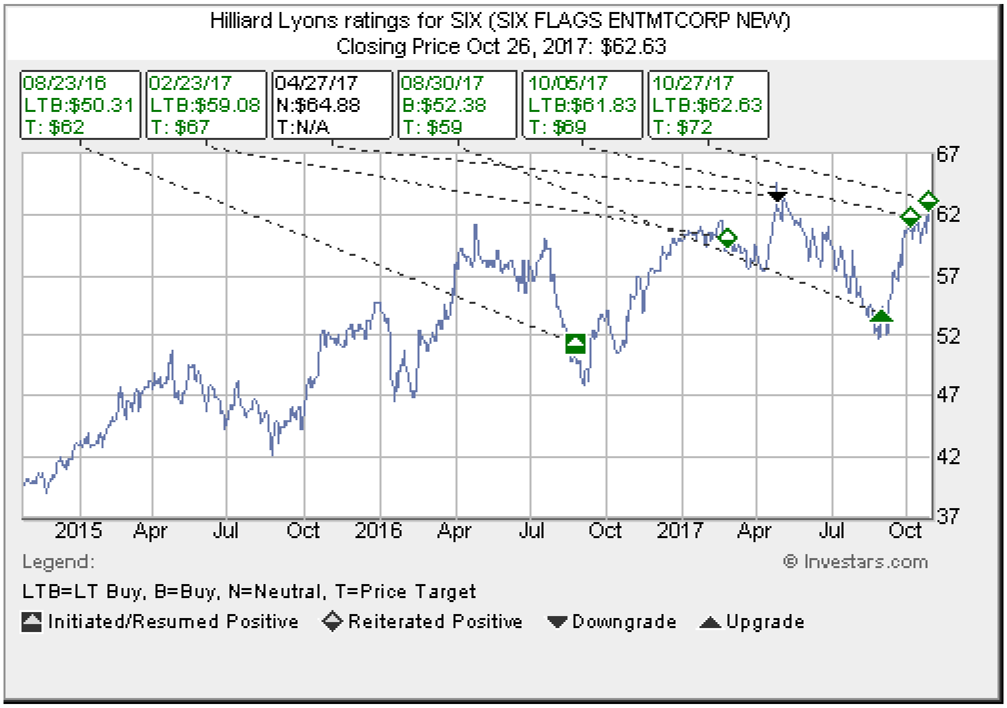
Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

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	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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