

SeaWorld Entertainment, Inc.
Form S-1/A
April 02, 2014
Table of Contents

As filed with the Securities and Exchange Commission on April 2, 2014

Registration No. 333-194751

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SeaWorld Entertainment, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: SeaWorld Entertainment, Inc. - Form S-1/A

Delaware (State or other jurisdiction of incorporation or organization)	7990 (Primary Standard Industrial Classification Code Number)	27-1220297 (I.R.S. Employer Identification Number)
--	--	---

9205 South Park Center Loop, Suite 400

Orlando, Florida 32819

(407) 226-5011

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

G. Anthony (Tony) Taylor, Esq.

Chief Legal and Corporate Affairs Officer, General Counsel and Corporate Secretary

9205 South Park Center Loop, Suite 400

Orlando, Florida 32819

(407) 226-5011

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Igor Fert, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017

(212) 455-2000

Marc D. Jaffe, Esq.

Cathy A. Birkeland, Esq.

Michael A. Pucker, Esq.

Latham & Watkins LLP

885 Third Avenue

New York, New York 10022-4834

(212) 906-1200

Edgar Filing: SeaWorld Entertainment, Inc. - Form S-1/A

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price per Share(1)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value \$0.01 per share	17,250,000	\$31.54	\$544,065,000	\$70,075.57

- (1) Includes shares/offering price of shares of common stock that the underwriters have the option to purchase. See Underwriting (Conflicts of Interest).
- (2) These figures are estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based on the average of high and low prices of the common stock on March 18, 2014 as reported on the New York Stock Exchange.
- (3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor do we or the selling stockholders seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated April 2, 2014

Preliminary Prospectus

15,000,000 Shares

SeaWorld Entertainment, Inc.

Common Stock

The selling stockholders identified in this prospectus are offering 15,000,000 shares of common stock of SeaWorld Entertainment, Inc. The selling stockholders will receive all of the net proceeds from this offering and we will not receive any of the proceeds from the sale of the shares of common stock being sold by the selling stockholders.

We have agreed to repurchase, concurrently with the closing of this offering, 1.75 million shares of our common stock directly from the selling stockholders in a private, non-underwritten transaction. This repurchase was approved by the special committee comprised of two of our independent, disinterested directors as being in the best interests of the Company and its stockholders other than the selling stockholders. The repurchase will be consummated concurrently with the closing of this offering and involves a price per share payable by the Company equal to the price per share that would be paid to the selling stockholders by the underwriters in this offering. The completion of this share repurchase is conditioned upon, among other things, the completion of this offering, but the completion of this offering is not conditioned upon the completion of such share repurchase.

The common stock of SeaWorld Entertainment, Inc. is listed on the New York Stock Exchange (the NYSE) under the symbol SEAS. The last reported sale price of SeaWorld Entertainment, Inc.'s common stock on the NYSE on April 1, 2014 was \$30.01 per share.

*Investing in our common stock involves risks. See **Risk Factors** beginning on page 18.*

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Edgar Filing: SeaWorld Entertainment, Inc. - Form S-1/A

	Per Share	Total
Public offering price	\$	\$
Underwriting discount and commissions(1) ..	\$	\$
Proceeds, before expenses, to the selling stockholders ..	\$	\$

(1) See Underwriting (Conflicts of Interest) for additional disclosure regarding the underwriting discount, commissions and estimated offering expenses.

To the extent that the underwriters sell more than 15,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 2,250,000 shares from the selling stockholders at the public offering price less the underwriting discount and commissions. The selling stockholders will receive all of the proceeds from the sale of any such additional shares to the underwriters.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2014.

Goldman, Sachs & Co.

J.P. Morgan

Deutsche Bank Securities

BofA Merrill Lynch

Barclays

Citigroup

Wells Fargo Securities

Blackstone Capital Markets

Macquarie Capital

Lazard Capital Markets

KeyBanc Capital Markets

Piper Jaffray

Drexel Hamilton

Ramirez & Co., Inc.

Telsey Advisory Group

Prospectus dated _____, 2014.

Table of Contents

Table of Contents

TABLE OF CONTENTS

Prospectus

	Page
<u>Market and Industry Data</u>	ii
<u>Trademarks, Service Marks and Tradenames</u>	ii
<u>Basis of Presentation</u>	ii
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	18
<u>Special Note Regarding Forward-Looking Statements</u>	34
<u>Use of Proceeds</u>	36
<u>Price Range of Common Stock</u>	37
<u>Dividend Policy</u>	38
<u>Capitalization</u>	39
<u>Selected Historical Consolidated Financial Data</u>	40
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Business</u>	61
<u>Management</u>	82
<u>Principal and Selling Stockholders</u>	108
<u>Certain Relationships and Related Party Transactions</u>	110
<u>Organizational Structure</u>	115
<u>Description of Indebtedness</u>	116
<u>Description of Capital Stock</u>	121
<u>Shares Eligible for Future Sale</u>	130
<u>Material United States Federal Income and Estate Tax Consequences to Non-U.S. Holders</u>	133
<u>Underwriting (Conflicts of Interest)</u>	137
<u>Validity of the Shares</u>	143
<u>Experts</u>	143
<u>Where You Can Find More Information</u>	143
<u>Index to Consolidated Financial Statements</u>	F-1

Unless otherwise indicated or the context otherwise requires, financial data in this prospectus reflects the consolidated business and operations of SeaWorld Entertainment, Inc. and its consolidated subsidiaries.

Neither we nor the selling stockholders have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. Neither we nor the selling stockholders take responsibility for, and cannot provide assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Table of Contents

MARKET AND INDUSTRY DATA

Market data and industry statistics and forecasts used throughout this prospectus are based on the good faith estimates of management, which in turn are based upon management's reviews of independent industry publications, reports by market research firms and other independent and publicly available sources. Although we believe that these third-party sources are reliable, we do not guarantee the accuracy or completeness of this information and have not independently verified this information. Similarly, internal Company surveys, while believed by us to be reliable, have not been verified by any independent sources. Unless we indicate otherwise, market data and industry statistics used throughout this prospectus are for the year ended December 31, 2013.

In this prospectus (i) references to the TEA/AECOM Report refer to the 2012 *Theme Index: The Global Attractions Attendance Report*, TEA/AECOM, 2013 and (ii) references to the IBISWorld Report refer to the *IBISWorld Industry Report 71311: Amusement Parks in the US* dated June 2013. Unless otherwise noted, attendance rankings included in this prospectus are based on the TEA/AECOM Report and theme park industry statistics are based on the IBISWorld Report.

Although we are not aware of any misstatements regarding the industry data that we present in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under Risk Factors, Special Note Regarding Forward-Looking Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus.

TRADEMARKS, SERVICE MARKS AND TRADENAMES

We own or have rights to use a number of registered and common law trademarks, service marks and trade names in connection with our business in the United States and in certain foreign jurisdictions, including SeaWorld Entertainment, SeaWorld Parks & Entertainment, SeaWorld®, Shamu®, Busch Gardens®, Aquatica, Discovery Cove®, Sea Rescue and other names and marks that identify our theme parks, characters, rides, attractions and other businesses. In addition, we have certain rights to use Sesame Street® marks, characters and related indicia through certain license agreements with Sesame Workshop (f/k/a Children's Television Workshop) (Sesame Workshop).

Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus are without the ® and symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This prospectus contains additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this prospectus are, to our knowledge, the property of their respective owners.

BASIS OF PRESENTATION

On December 1, 2009, investment funds affiliated with The Blackstone Group L.P. and certain co-investors, through SeaWorld Entertainment, Inc. and its wholly-owned subsidiary, SeaWorld Parks & Entertainment, Inc. (SWPEI), acquired 100% of the equity interests of Sea World LLC (f/k/a SeaWorld, Inc.) and SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) from certain subsidiaries of Anheuser-Busch Companies, Inc. We refer to this acquisition and related financing transactions as the 2009 Transactions. As a result of the 2009 Transactions, Blackstone and the other co-investors own, through SW Delaware L.P. (f/k/a SW Cayman L.P.),

Table of Contents

SW Delaware A L.P. (f/k/a SW Cayman A L.P.), SW Delaware B L.P. (f/k/a SW Cayman B L.P.), SW Delaware C L.P. (f/k/a SW Cayman C L.P.), SW Delaware D L.P. (f/k/a SW Cayman D L.P.), SW Delaware E L.P. (f/k/a SW Cayman E L.P.), SW Delaware F L.P. (f/k/a SW Cayman F L.P.), SW Delaware Co-Invest L.P. (f/k/a SW Cayman Co-Invest L.P.), SW Delaware (GS) L.P. (f/k/a SW Cayman (GS) L.P.) and SW Delaware (GSO) L.P. (f/k/a SW Cayman (GSO) L.P.) (collectively, the Partnerships), common stock of SeaWorld Entertainment, Inc. The Partnerships are the selling stockholders in this offering. For a more complete description of the Partnerships, see Principal and Selling Stockholders and Certain Relationships and Related Party Transactions Limited Partnership Agreements and Equityholders Agreement.

As used in this prospectus, unless otherwise noted or the context otherwise requires, (i) references to the Company, we, our or us refer to SeaWorld Entertainment, Inc. and its consolidated subsidiaries, (ii) references to the Issuer refer to SeaWorld Entertainment, Inc. exclusive of its subsidiaries, (iii) references to Blackstone or the Sponsor refer to certain investment funds affiliated with The Blackstone Group L.P., (iv) references to the Investor Group refer, collectively, to Blackstone and other co-investors in the Partnerships, (v) references to the 2009 Advisory Agreement refer to the Amended and Restated 2009 Advisory Agreement among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), Sea World Parks & Entertainment LLC, Sea World LLC and affiliates of Blackstone, (vi) references to ABI refer to Anheuser-Busch, Incorporated, (vii) references to guests refer to our theme park visitors, (viii) references to customers refer to any consumer of our products and services, including guests of our theme parks, and (ix) references to the underwriters refer to the firms listed on the cover page of this prospectus.

All references herein to a fiscal year refer to the 12 months ended December 31 of such year, and references to the first, second, third and fourth fiscal quarters refer to the three months ended March 31, June 30, September 30 and December 31, respectively.

Information presented as of December 31, 2013 and 2012 and for the fiscal years ended December 31, 2013, 2012 and 2011 is derived from our audited consolidated financial statements for those periods included elsewhere in this prospectus. Information presented as of December 31, 2011 and 2010 and for the fiscal year ended December 31, 2010 and the one month period ended December 31, 2009 is derived from our audited consolidated statements of operations and comprehensive income (loss), stockholders' equity and cash flows for the fiscal year ended December 31, 2011 and 2010 and the one month period ended December 31, 2009 not included in this prospectus. The results for the one month period ended December 31, 2009 include the results of operations of the Company from December 1, 2009 to December 31, 2009, which is the period in which we first became an independent, stand-alone entity following the 2009 Transactions.

The historical consolidated financial statements and financial data included in this prospectus are those of SeaWorld Entertainment, Inc. and its consolidated subsidiaries. The historical consolidated financial information and financial data for the periods prior to the 2009 Transactions (the Predecessor Financial Information) is not presented in this prospectus because it is not comparable and therefore not meaningful to a prospective investor. The Predecessor Financial Information does not fully reflect our operations on a stand-alone basis and we believe would not materially contribute to an investor's understanding of our historical financial performance. The Predecessor Financial Information prepared on a basis comparable with our consolidated financial statements included in this prospectus is not available and cannot be provided without unreasonable effort and expense. We believe that the omission of the Predecessor Financial Information will not have a material impact on an investor's understanding of our financial results and condition and related trends.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights certain significant aspects of our business and this offering. This is a summary of information contained elsewhere in this prospectus, is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information presented under the section entitled Risk Factors and the consolidated financial statements and the notes thereto, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from future results contemplated in the forward-looking statements as a result of certain factors such as those set forth in Risk Factors and Special Note Regarding Forward-Looking Statements. When making an investment decision, you should also read the discussion under Basis of Presentation above for the definition of certain terms used in this prospectus and a description of certain transactions and other matters described in this prospectus.

Company Overview

We are a leading theme park and entertainment company delivering personal, interactive and educational experiences that blend imagination with nature and enable our customers to celebrate, connect with and care for the natural world we share. We own or license a portfolio of globally recognized brands including SeaWorld, Shamu and Busch Gardens. Over our more than 50 year history, we have built a diversified portfolio of 11 destination and regional theme parks that are grouped in key markets across the United States, many of which showcase our one-of-a-kind collection of approximately 86,000 marine and terrestrial animals. Our theme parks feature a diverse array of rides, shows and other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests. In addition to our theme parks, we have recently begun to leverage our brands into media, entertainment and consumer products.

During the year ended December 31, 2013, we hosted approximately 23.4 million guests in our theme parks, including approximately 3.7 million international guests. In the year ended December 31, 2013, we had total revenues of \$1,460.3 million and net income of \$50.5 million. Our increasing revenue and growing profit margins, combined with our disciplined approach to capital expenditures and working capital management, enable us to generate strong and recurring cash flow.

Our portfolio of branded theme parks includes the following names:

SeaWorld. SeaWorld is widely recognized as the leading marine-life theme park brand in the world. Our SeaWorld theme parks, located in Orlando, San Antonio and San Diego, each rank among the most highly attended theme parks in the industry and offer up-close interactive experiences and a variety of live performances, including shows featuring Shamu in specially designed amphitheaters. We offer our guests numerous animal encounters, including the opportunity to work with trainers and feed marine animals, as well as themed thrill rides and theatrical shows that creatively incorporate our one-of-a-kind animal collection.

Busch Gardens. Our Busch Gardens theme parks are family-oriented destinations designed to immerse guests in foreign geographic settings. They are renowned for their beauty and award-winning landscaping and gardens and allow our guests to discover the natural side of fun by offering a family experience featuring a variety of attractions and rollercoasters in a richly-themed environment. Busch Gardens Tampa presents our collection of exotic animals

Table of Contents

from Africa, Asia and Australia. Busch Gardens Williamsburg, which has been named the Most Beautiful Park in the World by the National Amusement Park Historical Association for 23 consecutive years, showcases European-themed cultural and culinary experiences, including high-quality theatrical productions.

Aquatica. Our Aquatica branded water parks are premium, family-oriented destinations that are based in a South Seas-themed tropical setting. Aquatica water parks build on the aquatic theme of our SeaWorld brand and feature high-energy rides, water attractions, white-sand beaches and an innovative and entertaining presentation of marine and terrestrial animals. We position our Aquatica water parks as companion water parks to our SeaWorld theme parks in Orlando and San Diego and we have an Aquatica water park situated within our SeaWorld San Antonio theme park.

Discovery Cove. Discovery Cove is a reservations only, all-inclusive, marine-life day resort adjacent to SeaWorld Orlando. Discovery Cove offers guests personal, signature experiences, including the opportunity to swim and interact with dolphins, take an underwater walking reef tour and enjoy pristine white-sand beaches and landscaped private cabanas. Discovery Cove presently limits its attendance to approximately 1,300 guests per day and features premium culinary offerings in order to provide guests with a more relaxed, intimate and high-end luxury resort experience.

Sesame Place. Sesame Place is the only U.S. theme park based entirely on the award-winning television show Sesame Street. Located between Philadelphia and New York City, Sesame Place is a destination where parents and children can share in the spirit of imagination and experience Sesame Street together through whirling rides, water slides, colorful shows and furry friends. In addition, we have introduced Sesame Street brands in our other theme parks through Sesame Street-themed rides, shows, children's play areas and merchandise.

Table of Contents

Our theme parks are consistently recognized among the top theme parks in the world and rank among the most highly-attended in the industry. We generally locate our theme parks in geographical clusters, which improves our ability to serve guests by providing them with a varied, comprehensive vacation experience and valuable multi-park pricing packages, as well as improving our operating efficiency through shared overhead costs. The following table summarizes our theme park portfolio as of December 31, 2013:

Location	Theme					
	Park	Year Opened	Animal Habitats ⁽²⁾	Rides ⁽³⁾	Shows ⁽⁴⁾	Other ⁽⁵⁾
Orlando, FL		1973	17	14	18	27
		2000	5	3	0	5
		2008	5	13	0	4
Tampa, FL		1959	17	28	16	39
		1980	0	12	0	7
San Diego, CA		1964	25	10	20	17
		1996 ⁽¹⁾	2	8	0	4
San Antonio, TX		1988	12	23	33	50
Williamsburg, VA		1975	7	38	14	43
		1984	1	15	1	9
Langhorne, PA		1980	0	23	13	22
Total⁽⁶⁾			91	187	115	227

- (1) On November 20, 2012, we acquired the Knott's Soak City Chula Vista water park from a subsidiary of Cedar Fair, L.P. This water park was renovated, rebranded and relaunched as Aquatica San Diego on June 1, 2013.
- (2) Represents animal habitats without a ride or show element, often adjacent to a similarly themed attraction.
- (3) Represents mechanical dry rides, water rides and water slides (including wave pools and lazy rivers).
- (4) Represents annual and seasonal shows with live entertainment, animals, characters and/or 3-D or 4-D experiences.
- (5) Represents our 2013 portfolio for events, distinctive experiences and play areas, which collectively may include special limited time events; distinctive experiences often limited to small groups and individuals and/or requiring a supplemental fee (such as educational tours, immersive dining experiences and swimming with animals); and pure play areas, typically designed for children or seasonal special events, often without a queue (such as water splash areas or Halloween mazes).
- (6) The total number of animal habitats, rides, shows, play areas, events and distinctive experiences in our theme park portfolio varies seasonally.

Table of Contents

Our Competitive Strengths

Brands That Consumers Know and Love. We believe that our brands attract and appeal to guests from around the world and have been established as a part of popular culture. Our brand portfolio is highly stable, which we believe reduces our exposure to changing consumer tastes. We use our brands and intellectual property to increase awareness of our theme parks, drive attendance to our theme parks and create out-of-park experiences for our guests as a way to connect with them before they visit our theme parks and to stay connected with them after their visit. Such experiences include various media and consumer product offerings, including websites, advertisements and media programming, toys, books, apparel and technology accessories. For example, we have developed iPhone and Android smartphone applications for our SeaWorld and Busch Gardens theme parks, which have been downloaded over 1.5 million times from June 2011 through December 2013. We have also recently begun to leverage our brands into media, entertainment and consumer products. Since its debut in 2012 through December 2013, our Sea Rescue television program has attracted over 118 million viewers and has been rated as the number one show in its timeslot in a number of major U.S. markets. More recently, in October 2013, we introduced our newest television program, The Wildlife Docs, which attracted over 17 million viewers from October through December 2013.

Differentiated Theme Parks. We own and operate 11 theme parks, including five of the top 20 theme parks in North America as measured by attendance, according to the TEA/AECOM Report. Our theme parks are beautifully themed and deliver high-quality entertainment, aesthetic appeal, shopping and dining and have won numerous awards, including Amusement Today's Golden Ticket Awards for Best Landscaping. Our theme parks feature seven of the 50 highest rated steel rollercoasters in the world, led by Apollo's Chariot, the #5 rated steel rollercoaster in the world, and have won the top three spots in Amusement Today's annual Golden Ticket Award for Best Marine Life Park since the award's inception in 2006, according to Amusement Today's 2013 Golden Ticket Awards (the 2013 Amusement Today Annual Survey). We have over 600 attractions that appeal to guests of all ages, including 91 animal habitats, 115 shows and 187 rides. In addition, we have over 300 restaurants and specialty shops. Our theme parks appeal to the entire family and offer a broad range of experiences, ranging from emotional and educational animal encounters to thrilling rides and exciting shows.

Diversified Business Portfolio. Our portfolio of theme parks is diversified in a number of important respects. Our theme parks are located across the United States, which helps protect us from the impact of localized events. Each theme park showcases a different mix of zoological, thrill-oriented and family-friendly attractions. This varied portfolio of entertainment offerings attracts guests from a broad range of demographics and geographies. Our theme parks appeal to both regional and destination guests, which provides us with a stable attendance base while allowing us to benefit from improvements in macroeconomic conditions, including increased consumer spending and international travel.

One of the World's Largest Zoological Collections. We believe we are attractively positioned in the industry due to our ability to display our extensive animal collection in a differentiated and interactive manner. We believe we have one of the world's largest zoological collections with approximately 86,000 animals, including approximately 8,000 marine and terrestrial animals and approximately 78,000 fish. With 29 killer whales, we have the largest group of killer whales in human care. We have established successful and innovative breeding programs that have produced 31 killer whales, 159 dolphins and 135 sea lions, among other species, and our marine animal populations are characterized by their substantial genetic diversity. More than 80% of our marine mammals were born in human care.

Table of Contents

Strong Competitive Position. Our competitive position is protected by the combination of our powerful brands, extensive animal collection and expertise and attractive in-park assets located on valuable real estate. Our animal collection and zoological expertise, which have evolved over our more than five decades of caring for animals, would be very difficult to replicate. We have made extensive investments in new marketable attractions and infrastructure and we believe that our theme parks are well capitalized. The limited supply of real estate suitable for theme park development coupled with high initial capital investment, long development lead-times and zoning and other land use restrictions constrain the number of large theme parks that can be constructed.

Proven and Experienced Management Team and Employees with Specialized Animal Expertise. Our senior management team, led by Jim Atchison, our Chief Executive Officer and President, includes some of the most experienced theme park executives in the world, with an average tenure of more than 30 years in the industry. The management team is comprised of highly skilled and dedicated professionals with wide ranging experience in theme park operations, zoological operations, product development, business development and marketing. In addition, we are one of the world's foremost zoological organizations with an average of more than 1,500 employees in 2013 dedicated to animal welfare, training, husbandry and veterinary care.

Proximity of Complementary Theme Parks. Our theme parks are grouped in key locations near large population centers across the United States, which allows us to realize revenue and operating expense efficiencies. Having theme parks located within close proximity to each other also enables us to cross market and offer bundled ticket and travel packages. In addition, closely located theme parks provide operating efficiencies including sales, marketing, procurement and administrative synergies as overhead expenses are shared among the theme parks within each region. We intend to continue to capitalize on this strength through our 2012 acquisition of Knott's Soak City Chula Vista water park in California, which we rebranded and relaunched as Aquatica San Diego on June 1, 2013 near our SeaWorld San Diego theme park.

Attractive, Growing Profit Margins and Strong Cash Flow Generation. Our attractive and growing profit margins, combined with our disciplined approach to capital expenditures and working capital management, enable us to generate strong and recurring cash flow. Five of our 11 theme parks are open year-round, reducing our seasonal cash flow volatility. In addition, we have substantial tax assets which we expect to be available to defer a portion of our cash tax burden going forward.

Care for Our Community and the Natural World. Caring for our community and the natural world is a core part of our corporate identity and resonates with our guests. We focus on three core philanthropic areas: children, education and environment. Through the power of entertainment, we are able to inspire children and educate guests of all ages. We support numerous charities and organizations across the country. For example, we are the primary supporter and corporate member of the SeaWorld & Busch Gardens Conservation Fund, a non-profit conservation foundation, which makes grants to wildlife research and conservation projects that protect wildlife and wild places worldwide. In addition, in collaboration with the government and other members of accredited stranding networks, we operate one of the world's most respected programs to rescue ill and injured marine animals, with the goal to rehabilitate and return them back to the wild. Our animal experts have helped more than 23,000 ill, injured, orphaned and abandoned animals for more than four decades.

Our Strategies

We plan to grow our business by increasing our existing theme park revenues through strategies designed to drive higher attendance and increase in-park per capita spending, as well as by creating

Table of Contents

new sources of revenue through expansion of our theme parks, new theme park development and extending our brands into new media, entertainment and consumer products. We believe that our strategies complement each other as they lead to increased brand strength and awareness and drive revenue growth and profitability. Our strategies include the following components:

Continue to Create Memorable Experiences for Our Guests. Our mission is to use the power of educational entertainment to continue to inspire our guests to celebrate, connect with and care for the natural world we share. We provide our guests with innovative and immersive theme park experiences, such as our 3-D, 360 degree TurtleTrek attraction, which opened in 2012 at SeaWorld Orlando, and our Antarctica: Empire of the Penguin attraction, which opened in 2013 also at SeaWorld Orlando, and immerses guests into a penguin habitat. We also offer guests exciting