

SeaWorld Entertainment, Inc.
Form 10-K
March 21, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-35883

SeaWorld Entertainment, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
9205 South Park Center Loop, Suite 400
Orlando, Florida 32819
(Address of principal executive offices)(Zip Code)
(407) 226-5011
(Registrant's telephone number, including area code)

27-1220297
(I.R.S. Employer
Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes
No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,069,284,048 based upon the closing price of the registrant's common stock, par value \$0.01 per share, reported for such date on the New York Stock Exchange. For purposes of this computation, shares of the registrant's common stock held by each executive officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded in that such persons are affiliates. This determination of affiliate status is not a determination for other purposes.

The registrant had outstanding 91,764,580 shares of Common Stock, par value \$0.01 per share as of March 17, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission relating to the 2014 Annual Meeting of Stockholders, which statement will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this report.

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SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2013

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Unless otherwise noted or the context otherwise requires, (i) references to the Company, SeaWorld, we, our or us in this Annual Report on Form 10-K refer to SeaWorld Entertainment, Inc. and its consolidated subsidiaries, (ii) references to Blackstone refer to certain investment funds affiliated with The Blackstone Group L.P., (iii) references to the Partnerships refer, collectively, to ten limited partnerships owned by affiliates of Blackstone and other certain co-investors, through SW Delaware L.P. (f/k/a SW Cayman L.P.), 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) (iv) references to ABI refer to Anheuser-Busch, Incorporated, (v) references to guests refer to our theme park visitors, (vi) references to customers refer to any consumer of our products and services, including guests of our theme parks, (vii) references to the TEA/AECOM Report refer to the 2012 Theme Index: The Global Attractions Attendance Report, TEA/AECOM, 2013 and (viii) and 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 Annual Report on Form 10-K are based on the TEA/AECOM Report and theme park industry statistics are based on the IBISWorld Report.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the safe harbor created by those sections. All statements, other than statements of historical facts, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, our results of operations, financial position and our business outlook, business trends and other information, may be forward-looking statements. Words such as estimates, expects, contemplates, anticipates, projects, plans, intends, believes, forecasts, variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, estimates and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Annual Report on Form 10-K. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under Risk Factors in Part I, Item 1A of this Annual Report on Form 10-K, including the following:

a decline in discretionary consumer spending or consumer confidence;

various factors beyond our control adversely affecting attendance and guest spending at our theme parks;

inability to protect our intellectual property or the infringement on intellectual property rights of others;

incidents or adverse publicity concerning our theme parks;

featuring animals at our theme parks;

the loss of licenses and permits required to exhibit animals;

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significant portion of revenues generated in the States of Florida, California and Virginia and the Orlando market;

inability to compete effectively;

loss of key personnel;

increased labor costs;

unionization activities or labor disputes;

inability to meet workforce needs;

inability to fund theme park capital expenditures;

high fixed cost structure of theme park operations;

inability to maintain certain commercial licenses;

changing consumer tastes and preferences;

restrictions in our debt agreements limiting flexibility in operating our business;

our substantial leverage;

seasonal fluctuations;

inability to realize the benefits of acquisitions or other strategic initiatives;

adverse litigation judgments or settlements;

inadequate insurance coverage;

inability to purchase or contract with third party manufacturers for rides and attractions;

environmental regulations, expenditures and liabilities;

cyber security risks;

suspension or termination of any of our business licenses;

our limited operating history as a stand-alone company; and

the ability of affiliates of Blackstone to significantly influence our decisions.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this report apply only as of the date of this report or as the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Website and Social Media Disclosure

We use our website (www.seaworldentertainment.com) and our corporate Twitter account ([@Seaworld](https://twitter.com/Seaworld)) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, Securities and Exchange Commission (SEC) filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about SeaWorld when you enroll your e-mail address by visiting the E-mail Alerts section of our website at www.seaworldinvestors.com. The contents of our website and social media channels are not, however, a part of this report.

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PART I.

Item 1. Business

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.

We generate revenue primarily from selling admission to our theme parks and from purchases of food, merchandise and other spending. For the year ended December 31, 2013, theme park admissions accounted for approximately 63% of our total revenue, and food, merchandise and other revenue accounted for approximately 37% of our total revenue. Over the same period of time, we reported \$39.37 in admission per capita (calculated as admissions revenue divided by total attendance) and \$23.05 in-park per capita spending (calculated as food, merchandise and other revenue divided by total attendance), representing an increase of 8.6% and 4.3%, respectively, when compared to the year ended December 31, 2012.

As one of the world's foremost zoological organizations and a global leader in animal welfare, training, husbandry and veterinary care, we are committed to helping protect and preserve the environment and the natural world. For more information, see the [Our Animals](#) and [Philanthropy and Community Relations](#) sections.

Recent Developments

Secondary Offering and Share Repurchase

On December 17, 2013, selling stockholders affiliated with Blackstone completed a registered secondary offering of 18,000,000 shares of our common stock at a price of \$30.00 per share. The selling stockholders received all of the net proceeds from the sale of these shares and the Company paid all expenses related to this secondary offering, other than the underwriting discount and commissions. Concurrently with the secondary offering, the Company repurchased 1,500,000 shares of our common stock directly from the selling stockholders in a private, non-underwritten transaction at a price per share equal to the price per share paid to the selling stockholders by the underwriters in the secondary offering. This repurchase was approved by a special committee comprised of two of our independent, disinterested directors as being in the best interests of the Company and our stockholders other than the selling stockholders. The repurchase was consummated concurrently with the closing of the secondary offering. All repurchased shares were recorded as treasury stock at a cost of \$44.2 million. As a result of this secondary offering and concurrent share repurchase, affiliates of Blackstone beneficially own 42.8% of our outstanding common stock as of December 31, 2013.

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

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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 offer GPS navigation through the theme parks and interactive theme park maps that show the nearest dining locations, gift shops and ATMs and provide real-time updates on wait times for rides. Our guests have quickly adopted these products with over 1.5 million downloads of our smartphone applications from June 2011 through December 2013. We have also recently begun to leverage our brands into media, entertainment and consumer products. In 2012, we launched Sea Rescue, a Saturday morning television show airing on the ABC Network featuring our work to rescue injured animals in coordination with various government agencies and other rescue organizations. Since its debut through December 2013, Sea Rescue 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 and centers on the day-to-day activities at our Animal Care Center at Busch Gardens Tampa. Additionally, in November 2013, we launched www.AnimalVision.com, which allows our guests to deepen their connection with animals at our theme parks through on-habitat cameras that stream 24/7 footage of our animal habitats to customized interactive websites.

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. As a result of these distinctive offerings, our guest surveys routinely report very high Overall Satisfaction scores, with 97% of respondents in 2013 ranking their experience good or excellent.

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.

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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 Theme Parks

Our legacy started in 1959 with the opening of our first Busch Gardens theme park in Tampa, Florida. Since then, we have built our portfolio of strong brands and have strategically expanded our portfolio of theme parks across five states and approximately 2,000 acres of owned land, including through acquisitions.

Our theme parks offer guests a variety of exhilarating experiences, from animal encounters that invite exploration and appreciation of the natural world, to thrilling rides and spectacular shows. Our theme parks are beautifully themed venues that are consistently recognized among the top theme parks in the world and rank

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among the most highly attended in the industry. In 2012, SeaWorld Orlando, SeaWorld San Diego and Busch Gardens Tampa each ranked among the top 25 theme parks worldwide based on attendance, and Aquatica Orlando and Water Country USA each ranked among the top 20 water parks worldwide based on attendance, according to the TEA/AECOM Report. 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. 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 rank among the most highly attended theme parks in the industry and offer up-close interactive experiences, thrilling attractions and a variety of live performances that immerse guests in the marine-life theme. Each SeaWorld theme park showcases killer whales in specially designed amphitheatres, which feature inspiring shows, underwater viewing and special dining experiences. We also 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-kind animal collection. Collectively, our SeaWorld theme parks 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. We currently own and operate the following SeaWorld branded theme parks:

SeaWorld Orlando is a 279 acre theme park in Orlando, Florida and is open year-round. It is our largest theme park as measured by attendance and revenue. SeaWorld Orlando is home to the original Journey to Atlantis watercoaster ride, Kraken, a floorless rollercoaster, and Manta, a flying rollercoaster which integrates animals and a beautiful aquarium into its theme. In April 2012, we opened TurtleTrek, one of the first attractions with two extensive naturalistic habitats, home to manatees and sea turtles, and a 3-D, 360-degree dome theater, which allows a 3-D movie to be shown all around and even above our guests. In May 2013, we opened Antarctica: Empire of the Penguin, a realm within the theme park that immerses guests into a penguin habitat. This attraction includes innovative ride technology and features a new animated penguin character, Puck.

SeaWorld San Antonio is one of the world's largest marine-life theme parks, encompassing 416 acres in San Antonio, Texas. SeaWorld San Antonio features thrilling rollercoasters, including the Steel Eel and The Great White, along with a collection of marine-themed shows and experiences, including the killer whale show One Ocean. Our guests can upgrade their experience for an additional fee to also enjoy our Aquatica water park located within SeaWorld San Antonio.

SeaWorld San Diego is the original SeaWorld theme park spanning 190 acres of waterfront property on Mission Bay in San Diego, California. SeaWorld San Diego is open year-round and is one of the most visited paid attractions in San Diego. Its newest attraction is Manta, built in 2012 and modeled on the successful Manta ride in SeaWorld Orlando, which includes animal habitats featuring bat rays and other marine-life as well as a launch rollercoaster shaped like a giant manta ray.

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 cleanliness with award-winning landscaping and gardens. Our Busch Gardens theme parks allow our guests to discover the natural side of fun by offering a family experience featuring a variety of attractions and rollercoasters, exotic animals and high-energy theatrical productions that appeal to all ages. We currently own and operate the following Busch Gardens theme parks:

Busch Gardens Tampa features exotic animals, thrill rides and shows on 306 acres of lush natural landscape. With approximately 12,000 animals representing more than 250 species, Busch Gardens Tampa offers more opportunities to learn about and interact with amazing animals than any other of our theme parks. Our zoological collection is a popular attraction for families, and its portfolio of rides, including three of the world's top 35 steel rollercoasters according to the 2013 Amusement Today Annual Survey, broaden the theme park's appeal to teens and thrill seekers of all ages. Our newest attractions include the award winning Iceploration show, state-of-the-art Animal Care Center and Christmas Town, all of which which opened in 2012.

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Busch Gardens Williamsburg is regularly recognized as one of the highest quality theme parks in the world, capturing dozens of awards over its history for attraction and show quality, design, landscaping, culinary operations and theming. This 422 acre theme park has been named the Most Beautiful Park in the World by the National Amusement Park Historical Association for 23 consecutive years and has earned the Amusement Today Golden Ticket for Best Landscaping each year since the category's inception in 1998. It features some of the industry's top thrill rides with three steel rollercoasters, Apollo's Chariot, Alpengeist and Griffon, ranked in the top 35 in the 2013 Amusement Today Annual Survey. Its newest steel rollercoaster, Verbolten, a multi-launch, indoor/outdoor rollercoaster that ends with an 88-foot drop toward the theme park's Rhine River, opened in 2012.

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 companions to our SeaWorld theme parks and currently own and operate the following Aquatica branded theme parks:

Aquatica Orlando is an 81 acre South Seas-themed water park adjacent to SeaWorld Orlando. It was the 3rd most attended water park in North America in 2012, according to the TEA/AECOM Report, and is open year-round. The theme park features state-of-the-art attractions for guests of all ages and swimming abilities, including some that pass by or through animal habitats, including the signature Dolphin Plunge that carries guests through a Commerson's dolphin habitat.

Aquatica San Antonio is a water park located within SeaWorld San Antonio and accessible to guests for an additional fee. It features a variety of waterslides, rivers, lagoons, more than 45,000 square feet of beach area and private cabanas. The water park's signature attraction, Stingray Falls, takes four-seat rafts down twists and turns to an underwater grotto, where guests view stingrays and tropical fish. In addition, Walhalla Wave, a family raft ride, sends guests to the top of a zero-gravity wall, giving riders the sense of weightlessness.

Aquatica San Diego is located near our SeaWorld San Diego theme park and is the latest water park added to our portfolio. We acquired the Knott's Soak City Chula Vista water park from a subsidiary of Cedar Fair L.P. on November 20, 2012 and renovated, rebranded and relaunched the theme park as Aquatica San Diego on June 1, 2013.

Discovery Cove. Located next to SeaWorld Orlando, Discovery Cove is a reservations only, all-inclusive marine-life theme park that is open year-round to guests and features premium culinary offerings. The theme park restricts its attendance to approximately 1,300 guests per day in order to assure a more intimate experience. Discovery Cove provides guests with a full day of activities, including a 30-minute dolphin swim session and the opportunity to snorkel with thousands of tropical fish, wade in a lush lagoon with stingrays, and hand-feed birds in a free flight aviary. Discovery Cove's newest attractions include The Grand Reef, which includes SeaVenture, an underwater walking tour where guests can get up close to exotic fish and sharks, and Freshwater Oasis, which offers wading adventures and face-to-face encounters with otters and marmosets.

Sesame Place. Located between Philadelphia and New York City, Sesame Place is the only theme park in America entirely dedicated to the award-winning television show, Sesame Street, and its spirit of imagination. The theme park shares SeaWorld's education and learning through entertainment philosophy and allows parents and children to experience Sesame Street together through whirling rides, water slides, colorful shows and furry friends. Despite its small size and seasonal operating schedule, Sesame Place attracts approximately one million guests annually due to its strong family appeal. Sesame Place debuted the Neighborhood Street Party Parade and an annual Christmas event in 2011. 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. Our rights to the Sesame Street brand in the United States extend through 2021.

Water Country USA. Virginia's largest family water play park, Water Country USA, features state-of-the-art water rides and attractions, all set to a 1950s and 1960s surf theme. Water Country USA is the sixth most

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attended water park in North America according to the TEA/AECOM Report and features a 23,000 square-foot wave pool, a science fiction themed interactive children's play area, kid-sized water slides, live shows and several other attractions. One of its newest attractions is Vanish Point, a thrilling drop slide, which opened in 2011.

Adventure Island. Located adjacent to Busch Gardens Tampa, Adventure Island is a 56 acre water park that is filled with water rides, dining and other attractions that incorporate a Key West theme. The theme park is the eighth most attended water park in North America according to the TEA/AECOM Report and features a friendly wave pool and children's water playground that appeal to its core constituency, local families with young children. The following table summarizes our theme park portfolio as of December 31, 2013:

Location	Theme		Animal Habitats ⁽²⁾	Rides ⁽³⁾	Shows ⁽⁴⁾	Other ⁽⁵⁾
	Park	Year Opened				
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

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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, events, distinctive experiences and play areas in our theme park portfolio varies seasonally.

Our New Attractions

Our theme parks feature a variety of attractions for our guests. Some of the attractions added in 2013 include:

Antarctica: Empire of the Penguin (SeaWorld Orlando): This new attraction blends penguin encounters with a family ride for a one-of-a-kind experience. The attraction features a new and innovative ride component, a penguin habitat that is home to more than 230 penguins, an underwater viewing gallery and new culinary and retail offerings.

Food & Wine Festival (Busch Gardens Williamsburg): The Busch Gardens Williamsburg Food & Wine Festival was introduced in 2013 and provides guests with an opportunity to take a culinary tour of one of the highest quality theme parks in the world. This new seasonal event features sample-sized portions of international foods, wines and other refreshments not usually offered at Busch Gardens Williamsburg.

Madagascar LIVE! Operation: Vacation (Busch Gardens Tampa and SeaWorld San Diego): This original live musical show features singers, dancers and music performed by a live band. Guests can sing, clap and dance along to original songs and party favorites as they join in with the popular characters from the DreamWorks Animation Madagascar franchise.

Pets Ahoy (SeaWorld San Antonio): The popular Pets Ahoy show from SeaWorld Orlando was introduced at SeaWorld San Antonio in 2013. The comical show features the talents of dogs, cats, birds, rats, pot-belly pigs and other animals performing a series of entertaining skits. Nearly all of the animals featured in the show are rescued from animal shelters.

Capital Improvements

We make annual investments to support our existing theme park facilities and attractions, as well as enable the development of new theme park attractions and infrastructure. Maintaining and improving our theme parks, as well as opening new attractions, is critical to remain competitive and increase attendance and our guests' length of stay.

In 2012, we opened new attractions in seven of our theme parks. Subsequently on May 24, 2013, we opened one of our biggest new attractions: Antarctica: Empire of the Penguin. On June 1, 2013, we rebranded and relaunched the Knott's Soak City Chula Vista water park which we acquired in November 2012, as Aquatica San Diego, after making capital investments to upgrade its facilities.

During 2014 and 2015, we plan to celebrate the 50th anniversary of the SeaWorld brand at all three of our SeaWorld theme parks with a variety of new events, attractions, decors and musical features that celebrate our leadership in the marine-life theme park segment. SeaWorld's 50th Anniversary Celebration will be highlighted by new attractions, such as Explorer's Reef in SeaWorld San Diego, which features an opportunity for our guests to experience hands-on

interactions with sea creatures. We are planning new attractions at 9 of our 11 parks in 2014, including, at our Busch Gardens Tampa theme park, we are scheduled to complete construction on Falcon's Fury, a 335 foot tall drop tower that will pivot guests 90 degrees into a face down dive position before dropping toward the ground.

Maintenance and Inspection

Maintenance at our theme parks is a key component of guest service and safety and includes two areas of focus: facilities and infrastructure and rides and attractions. Facilities and infrastructure consists of all functions

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associated with upkeep, repair, preventative maintenance, code compliance and improvement of theme park infrastructure. This area is staffed with a combination of external contractors/suppliers and our employees.

Rides and attractions maintenance represents all functions dedicated to the inspection, upkeep, repair and testing of guest experiences, particularly rides. Rides and attractions maintenance is also staffed with a combination of external suppliers, inspectors and our employees, who work to assure that ride experiences are operating within the manufacturer's criteria and that maintenance is conducted according to standards, which may include, internal standards, industry best practice and standards (such as ASTM International), state or jurisdictional requirements, as well as the ride designer or manufacturer's specifications. All ride maintenance personnel are trained to perform their duties according to internal training processes, in addition to recognized industry certification programs for maintenance leadership. Every ride at our theme parks is inspected regularly, according to daily, weekly, monthly and annual schedules, by both park maintenance experts and external consultants. Additionally, all rides are inspected daily by maintenance personnel before use by guests to ensure proper and safe operation.

Generally, all maintenance activities are planned and tracked using a network enterprise software system, in order to schedule and request work, track completion progress and manage costs of parts and materials.

Our Animals

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. Our mission is to inspire guests through education and up-close experiences and to care for and protect animals. We believe we have one of the largest animal collections in the world, with approximate 86,000 animals, including 8,000 marine and terrestrial animals and 78,000 fish. Animals in our care include certain rare species such as the cheetah, Bengal tiger, West Indian manatee, black rhinoceros and polar bear.

The well-being of the animals in our care is a top priority. Our zoological staff has been caring for animals for more than five decades, and our expertise is a resource for zoos, aquariums and conservation organizations worldwide. Our expertise and innovation in animal husbandry have led to advances in the care of species in zoological facilities and in the conservation of wild populations.

We operate successful zoological breeding programs that help maintain a large and genetically-diverse animal collection. Those efforts have produced 31 killer whales, 159 dolphins and 135 sea lions, among other species. More than 80% of the marine mammals living in our zoological theme parks were born in human care.

Many of our programs represent pioneering contributions to the zoological community. Until the birth of our first killer whale calf in 1985, no zoological institution had successfully bred killer whales. With 29 killer whales, we care for the largest killer whale population in zoological facilities worldwide and today have the most genetically diverse killer whale and dolphin collection in our history. Six of these killer whales are presently on loan to a third party pursuant to an agreement entered into in February 2004. Pursuant to this agreement, we receive an annual fee, which is not material to our results of operations. In addition to generating incremental revenue for our business, the agreement provides for additional housing capacity for our killer whales. The agreement expires in 2031 and is renewable at the option of the parties.

Our commitment to animals also extends beyond our theme parks and throughout the world. We actively participate in species conservation and rescue efforts as discussed in [Conservation Efforts](#) and [Philanthropy and Community Relations](#) below.

Our Products and Services

Admission Tickets

We generate most of our revenue from selling admission to our theme parks. For the year ended December 31, 2013, theme park admissions accounted for approximately 63% of our revenue. We work with

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travel agents, ticket resellers and travel agencies, as well as maintain an online presence to promote advanced sales and provide guest convenience and ease of entry. Approximately 30% of our admission ticket purchases are made online.

Guests who visit our theme parks have the option of purchasing multiple types of admission tickets, from single and multi-day tickets to season, annual and two year passes. We also offer a Fun Card at select theme parks that allows additional visits throughout that calendar year. In addition, visitors can purchase vacation packages with preferred hotels, behind-the-scenes tours, specialty dining packages and front of the line access to enhance their experience.

We also participate in joint programs that are designed to provide visitors to Florida and Southern California with options, flexibility and value in creating their vacation itineraries. For example, we have partnered with several theme parks in Orlando to create the Orlando FlexTicket, which allows guests to purchase a ticket providing access to our theme parks in Orlando and Tampa as well as Universal Studios Universal Orlando, Islands of Adventure and Wet n Wild. We also created the 2-Park FlexTicket in conjunction with Universal Studios, which allows guests to purchase a ticket providing access to SeaWorld San Diego and Universal Studios Hollywood. In addition, we partner with independent third parties who sell tickets and/or packages to our theme parks.

We provide discounts, actively run promotions and use dynamic pricing models to adjust to changes in demand during targeted periods to maximize revenue and manage capacity.

Theme Park Operations

Our theme park operations strive to deliver a high level of service, safety and security at our theme parks. Comprised of rides, shows and attractions operations, safety, security, environmental, water park and guest arrival services (including parking, tolls, admissions, guest relations, entry and exit), the theme park operations team manages the planning and execution of the overall theme park experience on a daily basis. In pursuit of continuous improvement at our guest touch points, theme park operations identify and leverage internal best practices across all of our theme parks in order to create a seamless and enjoyable guest experience throughout the entire visit.

Culinary Offerings

We strive to deliver a variety of high quality, creative and memorable culinary experiences to our guests. Our culinary operations are strategically organized into five key guest-oriented disciplines designed to drive in-park per capita spending: restaurants, catering, carts and kiosks, specialty snacks and vending. Our culinary team focuses on providing creative menu offerings that appeal to our diverse guest base.

We offer a variety of dining programs that provide value to our guests while driving incremental revenues. While our menu offerings have broad appeal, they also cater to guests who desire healthy options and those with special allergy-related needs. Our successful all-day-dining program delivers convenience and value to our guests with numerous restaurant choices for one price. We also offer creative immersive dining experiences that allow guests to dine up-close with our animals and characters. Our commitment to care for the natural world extends to the food that we serve. Some of our menus feature sustainable, organic, seasonal and locally grown ingredients that aim to minimize environmental impacts to animals and their habitats. In addition, through culinary supply chain management initiatives, we are well-positioned to take advantage of changing economic and market conditions.

Merchandise

We offer guests the opportunity to capture memories through our products and services, including through traditional retail shops, game venues