CORSAIR CAPITAL

Appendix - Seaworld Entertainment, Inc ("SEAS" - $28)

SeaWorld Entertainment Inc., ("SEAS") is the owner and operator of 11 U.S. based theme parks under the names SeaWorld, Busch Gardens, Aquatica and Sesame Place. SEAS has a strong business model with high barriers to entry, a good management team and tailwinds in its business. Over the next few years, we expect SEAS to use its significant free cash flow generation to reward shareholders with increased dividends and share repurchases. Amid continued negative sentiment and lowered expectations, we believe SEAS has a strong risk/reward profile - with limited downside and upside of $40-45 per share in the next 12 months.

After two decades under the Anheuser Busch umbrella, SEAS was purchased by The Blackstone Group in 2009. Under Blackstone's leadership, SEAS invested heavily to upgrade park infrastructure, create new dynamic exhibits and rides, and improve safety conditions for the nearly 70,000 marine and terrestrial animals it cares for. In 2013, the company completed its initial public offering at $27 per share, and today Blackstone only owns ~20% of the public equity.

While SEAS posted record revenue and EBITDA during 2013, attendance declined by 4%. Management attributed some of this decline to a pricing strategy change implemented in early 2013, prior to plans for a public offering. Additionally, we believe that negative media events regarding captive orcas (i.e. Blackfish), above-average rainfall in Orlando and only a partial year of important new exhibits contributed to the attendance decline. While some of these issues will impact 2014, we believe they are transitory in nature and expect attendance trends to improve in the back half of 2014.

Despite the temporary attendance headwinds, SEAS is in strong financial health. Admission fees, in-park spending, EBITDA and free cash flow have all grown to record levels. Leverage is a modest 3.5x EBITDA and management has telegraphed plans to convert to a REIT once tax benefits expire in 2018. We expect the company to generate ~$2.40 per share of free cash flow in 2014 and nearly $3 per share in 2015. On a comparable basis, Six Flags trades at close to a 14x multiple of 2015 free cash flow. A similar multiple would imply a SEAS stock price of approximately 50% above the current quote. Management seems to agree that its shares are undervalued, having repurchased more than 3 million shares since the IPO.

SEAS has numerous major expansion opportunities that are unique to its brand strength. In May, the company announced that it is in talks with a Middle Eastern partner to develop multiple parks (note: the recently announced "Mall of the World" in Dubai, projected at 48 million square feet, could be a potential location). Additionally, SEAS owns excess land in many of its locations – possibilities include branded lodging, retail areas or even additional parks. We point out that Sesame Place has only one location in the U.S., although SEAS has the ability to open others. All of these growth opportunities provide incremental upside for SEAS investors, in addition to the wide valuation discount relative to its peers.

Over the next 12 months, we see numerous catalysts for a significantly higher stock price. Negative headlines surrounding captive orcas appear to have peaked, weather has easy comparables and this summer SEAS will celebrate its one year anniversary with new exhibits. We also would expect Blackstone to sell its final 20% of equity ownership, removing a persistent overhang on the stock price. Once these issues are in the rearview mirror, we expect investors to properly value this strong brand, giving patient investors an excellent reward.

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