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SeaWorld Entertainment, Inc.
Form 10-K
March 01, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

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 27-1220297
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

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)

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

Title of each class

Name of each exchange on which registered

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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 every Interactive Data File required to be submitted 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 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.

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,167,158,608 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 since such persons may be deemed to be affiliates. This determination of affiliate status is not a determination for other purposes.

The registrant had outstanding 84,126,506 shares of Common Stock, par value \$0.01 per share as of February 22, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission relating to the 2019 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.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2018

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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 “ABI” refer to Anheuser-Busch, Incorporated; (iv) references to “guests” refer to our theme park visitors; (v) references to “customers” refer to any consumer of our products and services, including guests of our theme parks; (vi) references to the “TEA/AECOM 2017 Report” refer to the 2017 Theme Index: The Global Attractions Attendance Report, TEA/AECOM, 2018; and (vii) references to the “Amusement Today, 2018” refer to the Amusement Today 2018 Golden Ticket Awards, Vol. 22, issue 6.2 dated September 2018. Unless otherwise noted, attendance rankings included in this Annual Report on Form 10-K are based on the TEA/AECOM 2017 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 the federal securities laws. 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 “might,” “will,” “may,” “should,” “estimates,” “expects,” “continues,” “contemplates,” “anticipates,” “projects,” “plans,” “potential,” “predicts,” “intends,” “believes,” “forecasts,” “future,” “targeted,” “goal” and various other 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 materially 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:

- complex federal and state regulations governing the treatment of animals, which can change, and claims and lawsuits and attempts to generate negative publicity associated with our business by activist groups;
- activist and other third-party groups and/or media can pressure governmental agencies, vendors, partners, and/or regulators, bring action in the courts or create negative publicity about us;
- various factors beyond our control adversely affecting attendance and guest spending at our theme parks, including the potential spread of travel-related health concerns including pandemics and epidemics, natural disasters, weather, foreign exchange rates, consumer confidence, travel related concerns, and governmental actions;
- incidents or adverse publicity concerning our theme parks;
- a decline in discretionary consumer spending or consumer confidence;
- a significant portion of revenues are generated in the States of Florida, California and Virginia and the Orlando market, and any risks affecting such markets, such as natural disasters, severe weather and travel-related disruptions or incidents;
- seasonal fluctuations in operating results;
- inability to compete effectively in the highly competitive theme park industry;
- interactions between animals and our employees and our guests at attractions at our theme parks;
- animal exposure to infectious disease;
- high fixed cost structure of theme park operations;
- changing consumer tastes and preferences;
- cyber security risks and failure to maintain the integrity of internal or guest data;

- increased labor costs and employee health and welfare benefits;
- inability to grow our business or fund theme park capital expenditures;
- adverse litigation judgments or settlements;
- inability to protect our intellectual property or the infringement on intellectual property rights of others;
- the loss of licenses and permits required to exhibit animals or the violation of laws and regulations;
- loss of key personnel;
- unionization activities or labor disputes;

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- inability to meet workforce needs;
- inability to realize the benefits of developments, restructurings, acquisitions or other strategic initiatives, and the impact of the costs associated with such activities;
- inability to maintain certain commercial licenses;
- restrictions in our debt agreements limiting flexibility in operating our business;
- inability to retain our current credit ratings;
- our substantial leverage;
- changes in the method for determining LIBOR and the potential replacement of LIBOR may affect our cost of capital;
- inadequate insurance coverage;
- inability to purchase or contract with third party manufacturers for rides and attractions;
- environmental regulations, expenditures and liabilities;
- suspension or termination of any of our business licenses, including by legislation at federal, state or local levels;
- delays, restrictions or inability to obtain or maintain permits;
- financial distress of strategic partners or other counterparties;
- changes to immigration, foreign trade, investments or other policies;
- inability to realize the full value of our intangible assets;
- changes in tax laws;
- tariffs or other trade restrictions;
- actions of activist stockholders;
- the ability of Hill Path Capital LP to significantly influence our decisions;
- the ability of affiliates of Zhonghong Zhuoye Group Co., Ltd. to significantly influence our decisions;
- changes or declines in our stock price, as well as the risk that securities analysts could downgrade our stock or our sector; and
- risks associated with our capital allocation plans and share repurchases, including the risk that our share repurchase program could increase volatility and fail to enhance stockholder value.

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 Annual Report on Form 10-K apply only as of the date of this Annual Report on Form 10-K or as the date they were made and, except as required by applicable law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Trademarks, Service Marks and Trade Names

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 a license agreement with Sesame Workshop.

Solely for convenience, the trademarks, service marks, and trade names referred to hereafter in this Annual Report on Form 10-K 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 Annual Report on Form 10-K may contain 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 Annual Report on Form 10-K are, to our knowledge, the property of their respective owners.

PART I.

Item 1. Business

Company Overview

We are a leading theme park and entertainment company providing experiences that matter and inspiring guests to protect animals and the wild wonders of our world. We own or license a portfolio of recognized brands including SeaWorld, Busch Gardens, Aquatica, Discovery Cove, Sesame Place and Sea Rescue. Over our more than 50 year history, we have developed a diversified portfolio of 12 destination and regional theme parks that are grouped in key markets across the United States, many of which showcase our one-of-a-kind zoological collection. Our theme parks feature a diverse array of rides, shows, educational demonstrations and other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.

During 2018, we hosted approximately 22.6 million guests in our theme parks, generated total revenues of \$1.37 billion and reported net income of \$44.8 million. We generate revenue primarily from selling admission to our theme parks and from purchases of food, merchandise and other spending. Theme park admissions accounted for approximately 58% of our total revenue, and food, merchandise and other revenue accounted for approximately 42% of our total revenue. For more information concerning our results from operations, see the “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” section included elsewhere in this Annual Report on Form 10-K.

As one of the world’s foremost zoological organizations and a global leader in animal welfare, training, husbandry, veterinary care and marine animal rescue, we are committed to helping protect and preserve the environment and the natural world. For more information, see the “—Animal Care and Rescue”, “—Sustainable Operations” and “—Conservation and Community Relations” sections included elsewhere in this Annual Report on Form 10-K.

Recent Developments

Leadership Changes

On February 5, 2019, we announced that our Board of Directors (the “Board”) appointed Gustavo (“Gus”) Antorcha to serve as Chief Executive Officer (“CEO”) of the Company. In addition, the Board increased the size of the Board from eight to nine directors and elected Mr. Antorcha to serve as a director. Mr. Antorcha assumed his CEO role and director role, in each case, effective on February 18, 2019. In connection with the appointment of Mr. Antorcha as CEO, the Board appointed John T. Reilly, who will step down from the position of Interim CEO, to serve as Chief Operating Officer (“COO”) of the Company, effective at such time. Additionally, we announced that Yoshikazu Maruyama would resume his role as non-executive Chairman of the Board, effective February 18, 2019.

Share Repurchase Program and Share Repurchases

Our Board previously authorized the repurchase of up to \$250.0 million of our common stock (the “Share Repurchase Program”). During the fourth quarter of 2018, we repurchased a total of 3,654,816 shares of common stock at a total cost of approximately \$98.0 million, leaving approximately \$92.0 million available under the Share Repurchase Program as of December 31, 2018. All of the repurchased common stock are held as treasury shares at December 31, 2018.

On February 22, 2019, our Board authorized a replenishment to the Share Repurchase Program of \$158.0 million, bringing the total amount authorized for future share repurchases to \$250.0 million. The Share Repurchase Program

has no time limit and may be suspended or discontinued completely at any time. The number of shares to be purchased and the timing of purchases will be based on our trading windows and available liquidity, general business and market conditions and other factors, including legal requirements and alternative opportunities.

Debt Refinance

On October 31, 2018, we entered into a refinancing amendment, Amendment No. 9 (the “Amended Credit Agreement”), to our senior secured credit facilities (the “Senior Secured Credit Facilities”). In connection with the Amended Credit Agreement, we borrowed \$543.9 million of additional term loans (the “Additional Term B-5 Loans”) of which the proceeds, along with cash on hand, were used to redeem all of the then outstanding principal of the Term B-2 Loans, and pay other fees, costs and expenses in connection with the Amended Credit Agreement and related transactions. The Term B-5 Loans mature on March 31, 2024. Additionally, pursuant to the Amended Credit Agreement, we terminated the existing revolving credit commitments and replaced them with a new tranche of revolving credit commitments with an aggregate commitment amount of \$210.0 million (the “New Revolving Credit Facility”) with a maturity date of October 31, 2023. As of December 31, 2018, our senior secured credit facilities consisted of \$1.523 billion in Term B-5 Loans, along with the New Revolving Credit Facility, of which \$30.0 million was drawn upon as of December 31, 2018. See Note 12—Long-Term Debt in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Our Competitive Strengths

Brands That Consumers Know and Love. We believe our brands attract and appeal to guests from around the world. We use our brands, intellectual property and the work we do to care for animals 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 consumer product offerings, including websites, advertisements, toys, books, apparel and technology accessories.

Differentiated Theme Parks. We own and operate 12 theme parks which deliver high-quality entertainment, aesthetic appeal, shopping and dining. Our portfolio includes theme parks ranked among the most highly attended in the industry, including three of the top 20 theme parks and three of the top 10 water parks in North America, as measured by attendance (TEA/AECOM 2017 Report). We have over 650 attractions that appeal to guests of all ages, including 85 animal habitats, 118 shows and 199 rides. In addition, we have over 350 restaurants, photo and specialty retail 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. In fact, we have won numerous awards and recognition, including the World’s Most Beautiful Amusement Park for 28 consecutive years for Busch Gardens Williamsburg (National Amusement Park Historical Association, 2018 Survey), the Nation’s Best Outdoor Waterpark for Aquatica Orlando (USA Today, 10 Best Readers’ Choice Awards, 2018) and Orlando’s Best Theme Park for SeaWorld Orlando (Orlando Sentinel, 2017). Our theme parks also feature eight of the top 50 steel roller coasters in the world, led by Apollo’s Chariot, the #6 rated steel roller coaster in the world (Amusement Today, 2018). Additionally, we have won the top three spots for Best Marine Life Park since the award’s inception in 2006, including the top four spots in 2018 and 2017 (Amusement Today, 2017-2018). As a result of these distinctive offerings and experiences, our guest surveys routinely report very high “Overall Satisfaction” scores, with 96% of respondents in 2018 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 in geographic clusters across the United States, which at times can help protect us from the impact of localized events. Each theme park showcases a different mix of 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 provide us with a diversified attendance base.

One of the World’s Largest Zoological Collections. We provide care for what we believe is one of the world’s largest zoological collections. We believe we are attractively positioned in the industry due to our highly unique collection and ability to present our animals in a differentiated and interactive manner. Through opportunities to explore and interact with these amazing animals in our parks, each year we educate millions of guests with the goal of inspiring them to care and protect animals and their habitats in the wild. Our commitment to these animals includes applying world-class standards of care while striving to provide habitats that promote their health. We also lead, partner with and/or sponsor research efforts that have provided and will continue to provide essential information and tools to help protect and sustain species in their natural habitats around the world. See the “—Conservation & Community Relations” section included elsewhere in this Annual Report on Form 10-K.

Strong Competitive Position. Our competitive position is enhanced by the combination of our powerful brands, extensive zoological collection and expertise and attractive in-park assets located on valuable real estate. Our zoological collection and expertise, which have evolved over our more than five decades of caring for animals, would be extremely difficult and expensive to replicate. We have made extensive investments in new attractions and infrastructure and we believe that our theme parks are well capitalized (see the “—Capital Improvements” section included elsewhere in this Annual Report on Form 10-K for a discussion of new rides and attractions). We believe that 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, currently led by Gus Antorcha, Chief Executive Officer, includes some of the most experienced executives in the world, with an average tenure of approximately 16 years in relevant industries. 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, marketing, finance and accounting. Additionally, our animal care team is among the most experienced and qualified in the world, making us a global leader in animal welfare, husbandry, enrichment and veterinary care.

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Proximity of Complementary Theme Parks. Our theme parks are grouped in key locations near large population centers and/or tourism destinations across the United States, which allows us to realize revenue and operating expense efficiencies. Having complementary theme parks located within close proximity to each other also enables us to cross market and offer bundled ticket and vacation 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.

Significant Cash Flow Generation. We believe that our disciplined approach to capital expenditures and working capital management enables us to generate significant annual operating cash flow, even in years of declining performance. Five of our 12 theme parks are open year-round, reducing our seasonal cash flow volatility.

Care for Our Community and the Natural World. We are committed to the communities in which our theme parks are located and focus our philanthropic efforts in three areas: animal preservation and stewardship; youth development and education; and community initiatives that address environmental sustainability. Our theme parks inspire and educate children and guests of all ages through experiences that are fun and meaningful. We also partner with charities across the country whose values and missions are aligned with our own by providing financial support, in-kind resources, strategic guidance, and/or hands-on volunteer work. 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, we operate one of the world's most respected rescue programs for ill and injured marine animals, in collaboration with federal, state and local governments, and other members of accredited stranding networks, among others, with the goal of rehabilitating and returning them to the wild. For more than five decades, our animal experts have helped more than 34,000 ill, injured, orphaned and abandoned wild animals. We are committed to animal rescue, conservation research and education and invest millions annually in these efforts.

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 developed our portfolio of strong brands and strategically expanded across five states on approximately 2,000 acres of owned land and 190 acres of leased land in San Diego. 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 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 geographic clusters, which we believe 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, educational presentations, special dining experiences, thrilling attractions and a variety of entertainment offerings that immerse guests in the marine-life theme. 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 entertainment that creatively incorporate our one-of-a-kind zoological collection. We currently own and operate the following SeaWorld-branded theme parks:

SeaWorld San Diego is the original SeaWorld theme park spanning 190 acres of waterfront property on Mission Bay in San Diego, California, is open year-round and is one of the most visited paid attractions in San Diego.

- o Ranked among top three Best Marine Life Park since the award's inception in 2006 (Amusement Today, 2006-2018)
- o Awarded three International Association of Amusement Parks and Attractions ("IAAPA") 2018 Brass Ring Awards for various shows (IAAPA)

- o Ranked among top 20 theme parks in North America, as measured by attendance (TEA/AECOM 2017 Report)

SeaWorld Orlando is a 279-acre theme park in Orlando, Florida, and is open year-round.

- o Ranked #1 Best Marine Life Park since the award's inception in 2006 (Amusement Today, 2018)

- oRecognized as Orlando's Best Theme Park (Orlando Sentinel, 2017)
- oFeatures the Mako roller coaster which ranked among top 20 steel roller coasters in the world (Amusement Today, 2018)
- oRanked among top 10 amusement parks in the U.S. and among top 15 amusement parks in the world (TripAdvisor Travelers' Choice Awards, 2018)
- oRanked among top 20 theme parks in North America, as measured by attendance (TEA/AECOM 2017 Report)

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SeaWorld San Antonio is one of the world's largest marine-life theme parks, encompassing 397 acres in San Antonio, Texas.

- o Ranked among top four Best Marine Life Parks since the award's inception in 2006 (Amusement Today, 2018)

- o Features Wave Breaker: The Rescue Coaster which ranked among top five best new rides of 2017 (Amusement Today, 2017)

Busch Gardens. Our Busch Gardens theme parks are family oriented destinations designed to immerse guests in international geographic settings. They are renowned for their thrill ride offerings as well as 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, roller coasters, and high-energy theatrical productions that appeal to all ages. We currently own and operate the following Busch Gardens theme parks:

Busch Gardens Tampa is open year-round and features exotic animals, thrill rides and shows on 306 acres of lush natural landscape. The zoological collection is a popular attraction for families, and the portfolio of rides broaden the theme park's appeal to teens and thrill seekers of all ages.

- o Awarded the prestigious Liseberg Applause Award in 2016 (IAAPA)

- o Features three of the world's top 50 steel roller coasters (Amusement Today, 2018)

- o Ranked among top 15 amusement parks in the U.S. and among top 25 amusement parks in the world (TripAdvisor Travelers' Choice Awards, 2018)

- o Ranked among top 20 theme parks in North America, as measured by attendance (TEA/AECOM 2017 Report)

Busch Gardens Williamsburg, a 422-acre theme park, 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.

- o Named the World's Most Beautiful Amusement Park for 28 consecutive years (National Amusement Park Historical Association, 2018 Survey)

- o Awarded Best Landscaping each year since the category's inception in 1998 (Amusement Today, 2018)

- o Features the Celtic Fyre show which was awarded Nation's Best Amusement Park Entertainment (USA Today, 10 Best Readers' Choice Awards, 2018)

- o Features four of the world's top 50 steel roller coasters, led by Apollo's Chariot, the #6 rated steel roller coaster in the world (Amusement Today, 2018)

Aquatica. Our Aquatica-branded water parks are premium, family oriented destinations 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 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 that is open year-round. The water park features state-of-the-art attractions for guests of all ages and swimming abilities, including some that pass by or through animal habitats.

- o Ranked #1 for the Nation's Best Outdoor Waterpark (USA Today, 10 Best Readers' Choice Awards, 2018)

- o Ranked among top 5 water parks in the U.S., and among top 15 water parks in the world (TripAdvisor Travelers' Choice Awards, 2018)

- o Ranked #4 most attended water park in North America and #8 worldwide (TEA/AECOM 2017 Report)

- o Features the Ray Rush ride which was awarded Best New Water Park Ride for 2018 (Amusement Today, 2018)

- o First water park in the world to be designated a Certified Autism Center (International Board of Credentialing and Continuing Education Standards "IBCCES", 2018)

Aquatica San Antonio is an 18-acre water park located adjacent to SeaWorld San Antonio. The water park features a variety of waterslides, rivers, lagoons, a large beach area and private cabanas.

- o Awarded the Certificate of Excellence award from TripAdvisor (TripAdvisor)

- Aquatica San Diego, a 66-acre water park, is located near our SeaWorld San Diego theme park. The water park features a variety of waterslides, a lazy river, a wave pool with a large beach area and private cabanas.
- o Implemented an elevated solar panel project that is expected to generate an estimated 80%-90% of the park's annual energy use
- Discovery Cove. Located next to SeaWorld Orlando, Discovery Cove is a 58-acre, 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 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.
- o Ranked #1 amusement park in the world in 2013-2014 and #2 in 2015-2017 (TripAdvisor Travelers' Choice Awards, 2013-2014, 2015-2017)
- o Ranked #4 Best Marine Life Park in 2018 and #3 in 2017 (Amusement Today, 2017-2018)
- o First all-inclusive day resort and animal interaction park in the U.S. to be designated a Certified Autism Center (IBCCES, 2019)
 - Sesame Place. Located on 55 acres near Philadelphia, Sesame Place is the only theme park in the United States 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. See additional discussion concerning the license agreement with Sesame Workshop in the "—Intellectual Property" section included elsewhere in this Annual Report on Form 10-K.
- o First theme park in the world to be designated as a Certified Autism Center (IBCCES, 2018)
- o Features Oscar's Wacky Taxi which was ranked among the top 5 Best New Rides for 2018 (Amusement Today, 2018)
 - Water Country USA. Located on 222 acres, Virginia's largest family water park, Water Country USA, features state-of-the-art water rides and attractions, all set to a 1950s and 1960s surf theme.
- o Ranked #6 most attended water park in North America (TEA/AECOM 2017 Report)
- o Ranked #8 for the Nation's Best Outdoor Waterpark (USA Today, 10 Best Readers' Choice Awards, 2018)
- o Ranked among top 10 water parks in the U.S. and among top 20 water parks in the world (TripAdvisor Travelers' Choice Awards, 2018)
- 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.
- o Ranked #7 most attended water park in North America (TEA/AECOM 2017 Report)

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The following table summarizes our theme park portfolio for 2018:

Location	Year	Animal	Habitats ^(a)	Rides ^(b)	Shows ^(c)	Other ^(d)
Orlando, FL	1973	16	15	19	37	
	2000	5	3	0	9	
	2008	3	12	0	5	
Tampa, FL	1959	15	28	23	50	
	1980	0	12	0	6	
San Diego, CA	1964	28	15	18	25	
	1996 ^(e)	2	9	0	4	
San Antonio, TX	1988	8	10	27	42	
	2016 ^(f)	3	12	0	7	
Williamsburg, VA	1975	5	39	17	38	
	1984	0	18	0	7	
Langhorne, PA	1980	0	26	14	23	
Total ^(g)		85	199	118	253	

(a) Represents animal habitats without a ride or show element, often adjacent to a similarly themed attraction.

(b) Represents mechanical dry rides, water rides and water slides (including wave pools and lazy rivers).

(c) Represents annual and seasonal shows with live entertainment, animals, characters and/or 3-D or 4-D experiences.

(d) Represents our 2018 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 interactions 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).

(e) In 2012, we acquired the Knott's Soak City Chula Vista water park in California from a subsidiary of Cedar Fair, L.P. This water park was renovated, rebranded and relaunched as Aquatica San Diego in June 2013.

(f) In 2016, Aquatica San Antonio was converted into a stand-alone, separate admission park that guests can access through an independent gate without the need to purchase admission to SeaWorld San Antonio.

(g) The total number of animal habitats, rides, shows, events, distinctive experiences and play areas in our theme park portfolio varies seasonally.

Capital Improvements

We make annual targeted 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, grow revenue and increase our guests' length of stay.

During 2019, we plan to introduce an extensive line up of new rides and attractions. Some of the new attractions planned for 2019 include:

• **Tigris (Busch Gardens Tampa Bay):** Florida's tallest launch coaster is a triple launch steel coaster that will catapult riders through an array of looping twists with forward and backward motion, drops, a 150-foot skyward surge, and an inverted heartline roll, all at more than 60 miles per hour. The queue will include educational content about the plight of tigers in the wild and what conservationists – including the SeaWorld & Busch Gardens Conservation Fund – are doing to save them.

• **Sesame Street (SeaWorld Orlando):** An immersive new land that will feature exciting rides, wet and dry play areas and interactive experiences designed to entertain the entire family including a daily party on Sesame Street and SeaWorld Orlando's first-ever parade. Guests can explore the iconic neighborhood and walk through Abby Cadabby's garden, visit Mr. Hooper's store, stop by Big Bird's nest, sit on the famous 123 stoop and meet everyone's favorite friends from Sesame Street including Elmo, Cookie Monster and Big Bird.

• **KareKare Curl (Aquatica Orlando):** A first-of-its-kind in Orlando, this family clover-tube ride will send guests soaring on a weightless adventure as they climb a vertical wave wall.

• **Tidal Twister (SeaWorld San Diego):** A first-of-its-kind dueling roller coaster that accelerates riders as they twist and bank just as if they are riding the tide along a tight figure-8 track that includes a dynamic roll at the center. Features its related conservation element, Rising Tide Conservation, with educational content that will focus on the importance of protecting the ocean and coral reefs through sustainable aquaculture programs for marine ornamental fish.

• **Turtle Reef (SeaWorld San Antonio):** A one-of-a-kind interactive sea turtle attraction that will give guests an up-close look at live threatened and endangered sea turtles. Populated with non-releasable sea turtles - turtles that are unable to survive in the wild on their own - the attraction will encourage guests to be more conscious about human impact on the oceans and environment.

• **Sea Swinger (SeaWorld San Antonio):** One of the tallest and fastest swing rides in the entire state of Texas – swinging riders 180-degrees in both directions while twisting them in a circle.

• **Riptide Rescue (SeaWorld San Antonio):** This attraction will provide younger guests and families an opportunity to board a rescue boat and set out on their own sea turtle rescue mission.

• **Jhu's Breakaway Falls (Aquatica San Antonio):** A one-of-a-kind, multi-drop tower slide, the steepest in Texas where riders will drop feet-first through spiraling tubes until they reach the splash pool finale.

• **Finnegan's Flyer (Busch Gardens Williamsburg):** As Virginia's first Screamin' Swing, Finnegan's Flyer will take riders up more than 80 feet at speeds reaching 45 miles per hour.

• **Cutback Water Coaster (Water Country USA):** Guests will be able to brave the first Rocket BLAST coaster on the East Coast and Virginia's first hybrid water coaster which will propel riders through tunnels, up and down steep hills and speed onto the wide-open space of massive saucer-shaped features on over 850 feet of water slide.

• **Sesame Street Neighborhood (Sesame Place):** This iconic street will be updated to reflect the reimagined, vibrant set now seen on Sesame Street with brand-new storefronts including an updated Mr. Hooper's Store and the iconic 123 stoop. Guests can take a stroll through Abby Cadabby's Garden and pose for a photo in Big Bird's Nest. And, introducing the newest (and biggest!) neighbor to Sesame Place – Mr. Snuffleupagus! Guests will be able to meet and take photos with Snuffy and Big Bird throughout the spring and summer at Abby's Paradise Theater.

Maintenance and Inspection

Safety is of utmost importance to us. Maintenance at our theme parks is a key component of safety and guest service and includes two areas of focus: (i) facilities and infrastructure and (ii) rides and attractions. Facilities and

infrastructure maintenance consists of all functions 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.

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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 internal standards, industry best practice and standards (such as ASTM International, formerly known as the American Society for Testing and Materials), 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.

A networked enterprise software system is used to plan and track various maintenance activities, in order to schedule and request work, track completion progress and manage costs of parts and materials.

Animal Care and Rescue

We provide care for one of the largest zoological collections in the world. Our commitment to these animals includes applying world-class standards of care while striving to provide habitats that promote the health of the animals. Our animal care team is among the most experienced and qualified in the world, making SeaWorld a global leader in animal welfare, husbandry, enrichment and veterinary care.

The zoological programs of all three SeaWorld parks, Discovery Cove and Busch Gardens Tampa Bay are validated by several professional zoological assessing organizations. Our parks are accredited members of the Association of Zoos and Aquariums ("AZA"), one of the foremost professional zoological organizations in the world. In addition, our three SeaWorld parks and Discovery Cove are accredited by the Alliance of Marine Mammal Parks and Aquariums ("AMMPA"), an association specifically focused on the care of marine mammals. SeaWorld's facilities have also received accreditation from the International Marine Animal Trainers' Association ("IMATA"), whose Animal Trainer Development Program was developed to recognize those facilities that have exceptional systems for training animal care givers in the science and art of animal training, while utilizing positive reinforcement. And lastly, our parks are Certified Humane by Humane Conservation, an animal welfare certification standard developed by the independent third party organization American Humane.

We take a comprehensive approach to ensuring the health and welfare of the animals in our care that focuses on physical, behavioral and population health. Our animal care team includes board-certified veterinarians, technicians and animal care experts, and we have onsite animal hospitals at each SeaWorld park and a guest-facing, state-of-the-art Animal Care Center at our Busch Gardens park in Tampa, Florida. We have also been at the forefront of advancing understanding and best practice-related behavioral health in animals.

We are committed to caring for each individual animal, and to being responsible stewards of our animal populations. That includes ensuring that we maintain the genetic diversity needed for healthy and self-sustaining populations. We have invested significantly in developing leading-edge reproductive health expertise, technologies and capabilities. Our focus on population health is also driven by our goal of helping to support, and our participation in, Species Survival Plans, which are programs that are ultimately aimed at preserving species in the wild.

We apply high quality and comprehensive animal care standards, and actively work to advance knowledge and improve standards. We do this by contributing to research and sharing our insights with other zoological organizations. For example, our continued work to define the clinically normal, healthy ranges for key measures in marine animals in our parks has helped to establish and refine the standards used by many veterinarians to assess both

wild and managed marine species. This ongoing research also includes defining the basic biology and physiology of animals in our collection. The combined results of these continued research efforts have provided and will continue to provide essential information and tools to help formulate plans to protect species in their natural habitats.

We are also a leader in animal rescue. Over the last five decades, through December 31, 2018, we have helped more than 34,000 ill, injured, orphaned or abandoned wild animals in need of our expert care. Working in partnership with state, local and federal agencies, our rescue teams are on call 24 hours a day, seven days a week, 365 days a year.

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 the “—Conservation & Community Relations” section included elsewhere in this Annual Report on Form 10-K.

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, 2018, theme park admissions accounted for approximately 58% of our total revenue. We engage with travel agents, ticket resellers and travel agencies, and directly with our guests through our websites and social media, to promote advanced ticket sales and provide guest convenience and ease of entry.

Guests who visit our theme parks have the option of purchasing multiple types of admission tickets, from single and multi-day tickets to season or annual passes. In addition, visitors can purchase vacation packages with preferred hotels, behind-the-scenes tours, specialty dining packages and front of the line “Quick Queue” access to enhance their experience.

We also participate in joint programs that are designed to provide visitors to certain markets with flexibility and value in creating their vacation itineraries. We have partnered with several theme parks and attractions to create joint ticket products which allow guests to purchase a ticket providing access to our theme parks as well as other local area attractions. We also partner with independent third parties who sell tickets and/or packages to our theme parks.

We actively use pricing and promotions to manage capacity and maximize revenue. We utilize demand-based pricing for select peak time periods at some of our parks, advance purchase discounts to encourage early commitment, and seasonal pricing models to drive demand in non-peak time periods.

Theme Park Operations

Our theme park operations strive to deliver a high level of safety, security, guest service and cleanliness at our theme parks. The theme park operations team manages the planning and execution of the overall theme park experience on a daily basis, which is 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). Our theme park operations team identifies and leverages 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 team focuses on providing creative menu offerings and ways to deliver those offerings that appeal to our diverse guest base. We offer a variety of dining programs that provide quality food and great value to our guests and drive 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 and customized photos and videos. We make a focused effort to leverage the emotional connection of the theme park experiences, capitalize on trends and optimize brand alignment with our merchandise

product offerings. In-park games are designed with the goal of creating positive family experiences for guests of every age. Our merchandise teams also focus on making a visit to our theme parks easy, convenient and comfortable. This includes offering lockers or service vehicle rentals such as strollers, electric personal carts and wheelchairs.

Consumer Products and Licensing

To capitalize on our popular brands, we leverage content through licensing and consumer product arrangements. We developed licensed consumer products to drive consumer sales through retail channels beyond our theme parks and continue to look for this channel to grow. While currently these licensed consumer products do not represent a material percentage of our total revenue, we believe by leveraging our brands and our intellectual property through consumer products, we will create new revenue streams and enhance the value of our brands through greater brand visibility, consumer awareness and increased consumer loyalty. In addition, we have expanded our brand appeal through strategic alliances with well-known external brands, including Sesame Street. Beginning in 2016, we incorporated Rudolph the Red-Nosed Reindeer™ and other well-known characters into five of our park holiday programs under a license agreement with Character Arts, LLC. During 2018, this agreement was extended through January 2024.

Group Events and Conventions

We host a variety of different group events, meetings and conventions at our theme parks both during the day and at night. Our parks provide a wide variety of unique venues, backdrops and products for groups and include venues such as the icy walls of Antarctica, concert ready stadiums, outdoor pavilions, animal habitats and fully air-conditioned ballrooms. Our special group ticket packages and offerings appeal to specialty markets such as youth, sports, social (i.e. family reunions) and fraternal groups (i.e. scouts), as well as corporate groups seeking to recognize and reward their employees.

Park buy-outs allow groups to enjoy exclusive itineraries, including meetings and shows, up-close encounters with animals and behind-the-scenes tours. Our group facilities are available year-round and fully customizable as they can be built around any of the park's special events, inspirational shows, or one-of-a-kind attractions. Each of our theme parks offers attractive venues, such as SeaWorld Orlando's Ports of Call, a 70,000 square foot dedicated special events complex and banquet facility that includes a ballroom, a collection of four outdoor pavilions and a courtyard in Orlando, to a fully enclosed and air-conditioned pavilion in Tampa.

Corporate Sponsorships and Strategic Alliances

We seek to secure long-term corporate sponsorships and strategic alliances with leading companies and brands that share our core values, deliver significant brand value and influence and drive mutual business gains. We identify prospective corporate sponsors based on their industry and industry-leading position, and we select them based on their ability to deliver impactful value to our theme parks and our brands, as well as to consumer products and various entertainment platforms. Our corporate sponsors contribute to us in a multitude of ways, such as through direct marketing, advertising, media exposure and licensing opportunities, as well as through contributions to the non-profit SeaWorld & Busch Gardens Conservation Fund. Also see additional discussion concerning our conservation partnerships, such as Guy Harvey, in the "—Conservation and Community Relations" section which follows.

Our Corporate Culture

As a purpose-driven company, our corporate culture is built on our mission to provide experiences that matter for every guest, inspiring them to protect animals and the wild wonders of our world. Our management team and our employees, often referred to as ambassadors, are committed to connecting people to nature and animals and to do so in a socially responsible manner. As guests explore our parks, we educate our ambassadors on ways to create an environment where each guest can explore a diverse range of experiences meant to inspire and motivate them to join us in protecting animals and our planet. Our purpose and focus on creating experiences that matter for our guests are integral to our organization and the cornerstone of our success.

Sustainable Operations

Environmental conservation is implicit in our purpose. To thrive, animals need vibrant ecosystems and healthy habitats. We understand the adverse effects of human behavior and climate change on ecosystems and the animals who call them home; therefore, we are constantly working to minimize the footprint of our operations. As a part of our commitment to conservation, we have invested in numerous projects to reduce our energy and water use and the amount of waste we generate. For example, in 2018, we implemented an elevated solar panel project at Aquatica San Diego that is expected to generate an estimated 80%-90% of the park's annual energy use.

We believe our parks have some of the most advanced and efficient water purification systems in the world, which provide the optimum environment for our marine life. We leverage this knowledge to reclaim and recycle wastewater for reuse, thereby decreasing our consumption of fresh water. We have also implemented a range of other water conservation efforts across our parks. Many of these incorporate lessons from our facilities in San Diego and San Antonio, which, driven in part by drought conditions, have found innovative opportunities to harvest rainwater, reuse

water for cooling buildings and adapt landscaping to require less water. We continually look for new ways to reduce water use in our parks and to support water conservation projects elsewhere.

Conservation and Community Relations

Our purpose is to inspire people to protect animals and the wild wonders of the world, and a critical way we deliver on this is by providing our guests opportunities to explore and interact with the animals in our parks. Through our up-close animal encounters, educational exhibits and innovative entertainment, we strive to inspire each guest to take action to care for and conserve the natural world. Some of the animals in our care serve as ambassadors for their species through numerous national media and public appearances that educate the public and raise awareness for issues facing wildlife and wild places. We also partner with and support leading research, education and conservation organizations that help protect species of animals at risk in the wild, as well as the habitats that are home to many vulnerable species.

We support conservation organizations such as the Killer Whale Research and Conservation Program, in partnership with the National Fish and Wildlife Foundation, to study and protect endangered killer whales in the wild, with a particular focus on the Southern Resident killer whale population found off the coast of Washington. Another example is a partnership with marine wildlife artist and conservationist Guy Harvey focused on ocean health and the plight of sharks in the wild. We also continue to support the Hubbs-SeaWorld Research Institute, which was started over 50 years ago by one of SeaWorld's founders and remains a world-renowned scientific research organization committed to conserving and renewing marine life to ensure a healthier planet.

Alongside our conservation work, we are committed to giving back to the communities in which our theme parks are located. We focus our philanthropic efforts in three areas: animal preservation and stewardship; youth development and education; and community initiatives that address environmental sustainability. We partner with charities across the country whose values and missions are aligned with our own by providing financial support, in-kind resources, strategic guidance and/or hands-on volunteer work. Additionally, our ambassadors are actively involved in volunteer activities, such as beach and river cleanup efforts, fun run charity fundraisers, local food bank distributions and more.

Seasonality

The theme park industry is seasonal in nature. Historically, we generate the highest revenues in the second and third quarters of each year, in part because seven of our theme parks are only open for a portion of the year. Approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. The percent mix of revenues by quarter is relatively constant each year, but revenues can shift between the first and second quarters due to the timing of Easter and spring break holidays and between the first and fourth quarters due to the timing of holiday breaks around Christmas and New Year. Even for our five theme parks open year-round, attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions.

Our Guests and Customers

Our theme parks are entertainment venues with broad demographic appeal and are located near a number of large metropolitan areas, including 6 of the 10 largest metropolitan areas in the United States and near 6 of the top 10 most visited cities in the United States (Worldatlas, 2018). Additionally, because our theme parks are divided between regional and destination theme parks, our guests include local visitors, non-local domestic visitors and international visitors.

Marketing

Our marketing and communications activities continue to be focused around generating profitable attendance, growing in-park per capita spending and building the value of our brands.

Intellectual Property

Our business is affected by our ability to protect against infringement of our intellectual property, including our trademarks, service marks, domain names, copyrights and other proprietary rights. Important intellectual property includes rights in names, logos, character likenesses, theme park attractions and systems related to the study and care of certain of our animals. In addition, we are party to key license agreements as licensee, including our agreements with ABI and Sesame Workshop ("Sesame") as discussed below.

Busch Gardens License Agreement

Our subsidiary, SeaWorld Parks & Entertainment LLC, is a party to a trademark license agreement with ABI, which governs our use of the Busch Gardens name and logo. Under the license agreement, ABI granted to us a perpetual,

exclusive, worldwide, royalty-free license to use the Busch Gardens trademark and certain related domain names in connection with the operation, marketing, promotion and advertising of our theme parks, as well as in connection with the production, use, distribution and sale of merchandise sold in connection with such theme parks.

The license extends to our Busch Gardens theme parks located in Williamsburg, Virginia and Tampa, Florida, and may also include any amusement or theme park anywhere in the world that we acquire, build or rebrand with the Busch Gardens name in the future, subject to certain conditions. ABI may not assign, transfer or sell the Busch Gardens mark without first granting us a reasonable right of first refusal to purchase such mark.

We have agreed to indemnify ABI from and against third party claims and losses arising out of or in connection with the operation of the theme parks and the related marketing or promotion thereof, any merchandise branded with the licensed marks and the infringement of a third party's intellectual property. We are required to carry certain insurance coverage throughout the term of the license.

The license agreement can be terminated by ABI under certain limited circumstances, including in connection with certain types of change of control of SeaWorld Parks & Entertainment LLC.

Sesame License Agreement

Our wholly-owned subsidiary, SeaWorld Parks & Entertainment, Inc. (“SEA”), is a party to a license agreement with Sesame, a New York not-for-profit corporation. The License Agreement extends SEA’s status as Sesame’s exclusive theme park partner in the United States, Puerto Rico, and the U.S. Virgin Islands (the “Sesame Territory”), with the second Sesame Place® theme park scheduled to open no later than mid-2021. After the opening of the second Sesame Place, the Company will have the option to build additional Sesame Place theme parks in the Sesame Territory.

Under the terms of the license agreement, including the requirement for certain subsequent approvals from Sesame, Sesame granted SEA the right to use the Sesame Street Elements (as defined below) (a) in connection with the design, building, installation, theming, promotion, and operation of SEA’s existing Sesame Place theme park, located in Langhorne, Pennsylvania (the “Langhorne Sesame Place”) and additional Sesame Place theme parks in the United States (collectively, the “Standalone Parks”); (b) in connection with the design, building, installation, theming, promotion, and operation of SEA’s existing Sesame Lands (currently known as Sesame Street® Bay of Play at SeaWorld San Antonio, Sesame Street Bay of Play at SeaWorld San Diego, Sesame Street Safari of Fun at Busch Gardens Tampa, and Sesame Street Forest of Fun at Busch Gardens Williamsburg) and additional Sesame Lands, including a Sesame Street at SeaWorld Orlando (which the Company plans to open in Spring of 2019) (collectively, the “Sesame Lands”); (c) in connection with the Licensed Products (as defined below); (d) in marketing and promotional activities related to the Standalone Parks and Sesame Lands, including without limitation, marketing, advertising and promotion, character appearances and live presentations (both in park and in off-site promotional activities such as schools, parades, conventions, etc.), and the Licensed Products; and/or (e) to seek and to enter into sponsorship agreements for specific sponsorships of Sesame Street-themed attractions.

In addition, SEA has been granted a license to (i) develop and manufacture or have developed and manufactured products that utilize the Sesame Street Elements or to purchase products that utilize the Sesame Street Elements from Sesame’s third party licensees (collectively, the “Licensed Products”), (ii) to market, promote, advertise, distribute and sell the Licensed Products within each of SEA’s theme parks and through online stores on SEA’s websites and targeted primarily to consumers in the United States and (iii) to contract with third party vendors to promote, distribute and sell the Licensed Products within the United States.

The term “Sesame Street Elements” means all current and hereafter developed or owned titles, marks, names, characters (including any new Sesame Street characters shown on Sesame Street and owned in whole or controlled by Sesame), images, likenesses, audio, video, audiovisual, logos, themes, symbols, copyrights, trademarks, service marks, visual representations and designs, and other intellectual property (whether in two- or three-dimensional form and including animated and mechanical representations) owned or controlled by Sesame (or its affiliates), and associated with the “Sesame Street” television property, whether previously (unless retired) or currently on “Sesame Street” or whether hereafter developed or owned and the names and marks “Sesame Place” and “Sesame Land,” but expressly excluding “Kermit the Frog.”

Sesame has reserved rights to build family entertainment centers using the Sesame Street Elements subject to certain territorial restrictions surrounding SEA’s Sesame Place Standalone Parks and Sesame Lands within the Sesame Territory. The license agreement has an initial term through December 31, 2031, with an automatic additional 15 year extension plus a 5 year option added from each new Standalone Park opening. Pursuant to the license agreement, SEA pays a specified annual license fee, as well as a specified royalty based on revenues earned in connection with sales of Licensed Products, all food and beverage items utilizing the licensed elements and any events utilizing such elements if a separate fee is paid for such event.

International Development Strategy

We believe that in addition to the growth potential that exists domestically, our brands can also have significant appeal in certain international markets. We continue to make progress in our partnership with Miral Asset Management LLC

to develop SeaWorld Abu Dhabi, a first-of-its-kind marine life themed park on Yas Island (the “Middle East Project”). As part of this partnership, we are providing certain services pertaining to the planning and design of the Middle East Project, with funding received from our partner in the Middle East expected to offset our internal expenses. SeaWorld Abu Dhabi is expected to be completed by 2022. The Middle East Project is subject to various conditions, including, but not limited to, the parties completing the design development and there is no assurance that the Middle East Project will be completed or advance to the next stage.

In March 2017, we entered into a Park Exclusivity and Concept Design Agreement (the “ECDA”) and a Center Concept & Preliminary Design Support Agreement (the “CDSA”) with an affiliate of Zhonghong Zhuoye Group Co., Ltd., (“ZHG Group”) to provide design, support and advisory services for various potential projects and granting exclusive rights in China, Taiwan, Hong Kong and Macau (the “Territory”). See Note 17—Related Party Transactions to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

For a discussion of certain risks associated with our international development strategy, including the Middle East Project, see the “Risk Factors” section included elsewhere in this Annual Report on Form 10-K, including “Risks Related to Our Business and Our Industry—We may not realize the benefits of developments, restructurings, acquisitions or other strategic initiatives.”

Our Industry

We believe that the theme park industry is an attractive sector characterized by a proven business model that generates significant cash flow and has avenues for growth. Theme parks offer a strong consumer value proposition, particularly when compared to other forms of out-of-home entertainment such as concerts, sporting events, cruises and movies. As a result, theme parks attract a broad range of guests and generally exhibit strong operating margin across regions, operators, park types and macroeconomic conditions.

Competition

Our theme parks and other product and entertainment offerings compete directly for discretionary spending with other destination and regional theme parks and water and amusement parks and indirectly with other types of recreational facilities and forms of entertainment, including movies, home entertainment options, sports attractions, restaurants and vacation travel. Principal direct competitors of our theme parks include theme parks operated by The Walt Disney Company, Universal Parks and Resorts, Six Flags Entertainment Corporation, Cedar Fair, L.P., Merlin Entertainments plc and Hershey Entertainment and Resorts Company. Our highly differentiated products provide a value proposition and a complementary experience to those offered by fantasy-themed Disney and Universal parks. In addition, we benefit from the significant capital investments made in developing the tourism industry in the Orlando area. The Orlando theme park market is extremely competitive, with a high concentration of theme parks operated by several companies.

Competition is based on multiple factors including location, price, the originality and perceived quality of the rides and attractions, the atmosphere and cleanliness of the theme park, the quality of food and entertainment, weather conditions, ease of travel to the theme park (including direct flights by major airlines), and availability and cost of transportation to a theme park. We believe we can compete effectively, due to our strong brand recognition, unique and extensive zoological collection, targeted capital investments and valuable real estate. Additionally, we believe that our theme parks feature a sufficient quality and variety of rides and attractions, educational and interactive experiences, merchandise locations, restaurants and family orientation to make them highly competitive with other destination and regional theme parks, as well as other forms of entertainment.

Employees

As of December 31, 2018, we employed approximately 4,700 full-time employees and approximately 12,000 part-time employees. During our peak operating season in 2018, we employed approximately 4,100 additional seasonal employees, many of whom are high school and college students. None of our employees are covered by a collective bargaining agreement, and we consider our employee relations to be good.

Regulatory

Our operations are subject to a variety of federal, state and local laws, regulations and ordinances including, but not limited to, those regulating the environment, display, possession and care of our animals, amusement park rides, building and construction, health and safety, labor and employment, workplace safety, zoning and land use and alcoholic beverage and food service. Key statutes and treaties relating to the display, possession and care of our zoological collection include the Endangered Species Act, Marine Mammal Protection Act, Animal Welfare Act, Convention on International Trade in Endangered Species and Fauna Protection Act and the Lacey Act. We must also comply with the Migratory Bird Treaty Act, Bald and Golden Eagle Protection Act, Wild Bird Conservation Act and National Environmental Policy Act, among other laws and regulations. We believe that we are in substantial compliance with applicable laws, regulations and ordinances; however, such requirements may change over time, and there can be no assurance that new requirements, changes in enforcement policies or newly discovered conditions relating to our properties or operations will not require significant expenditures in the future.

Recent Regulatory Developments

The U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (“APHIS”) released a proposed rule on February 3, 2016 to amend the Animal Welfare Act regulations concerning the humane handling, care and treatment of marine mammals in captivity (the “Proposed APHIS Regulations”). The Proposed APHIS Regulations were subject to public comment which ended on May 4, 2016. We submitted a comment letter to APHIS on the final date for comments, expressing our views on the Proposed APHIS Regulations. The full impact of the Proposed APHIS Regulations on our business will not be known until the Proposed APHIS Regulations are finalized. On November 16, 2018, the Federal Register published the latest Unified Agenda of Federal Regulatory and Deregulatory Actions. No proposed regulatory actions were listed for APHIS indicating that the agency does not plan any further action at this time on the matter.

For a discussion of certain risks associated with federal and state regulations governing the treatment of animals, see the “Risk Factors” section included elsewhere in this Annual Report on Form 10-K, including “Risks Related to Our Business and Our Industry—We are subject to complex federal and state regulations governing the treatment of animals, which can change, and to claims and lawsuits by activist groups before government regulators and in the courts.”

Insurance

We maintain insurance of the type and in the amounts that we believe to be commercially reasonable for businesses in our industry. We maintain primary and excess casualty coverage of up to \$125.0 million. As part of this coverage, we retain deductible/self-insured retention exposures consistent with our normal expected losses related to general liability claims, automobile liability and workers compensation claims. We maintain employers' liability and all coverage required by law in the states in which we operate. Defense costs are included in the insurance coverage we obtain against losses in these areas. Based upon our historical experience of reported claims and an estimate for incurred-but-not-reported claims, we accrue a liability for our deductible/self-insured retention contingencies regarding general liability, automobile liability and workers compensation exposures. We maintain additional forms of special casualty coverage appropriate for businesses in our industry. We also maintain commercial property coverage against fire, natural perils, so-called "extended coverage" perils such as civil commotion, business interruption and terrorism exposures for protection of our real and personal properties (other than land). We generally renegotiate our insurance policies on an annual basis. We cannot predict the amounts of premium cost that we may be required to pay for future insurance coverage, the level of any deductibles/self-insured retentions we may retain applicable thereto, the level of aggregate excess coverage available, the availability of coverage for special or specific risks or whether the amount of insurance will be sufficient to cover all actual perils that may occur.

Corporate History

Our legacy started in 1959 with the opening of our first Busch Gardens theme park in Tampa, Florida. Since then, we have developed our portfolio of strong brands and strategically expanded across five states. 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. ("SEA"), acquired 100% of the equity interests of Sea World LLC (f/k/a Sea World, 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." SeaWorld Entertainment, Inc. was incorporated in Delaware on October 2, 2009 in connection with the 2009 Transactions and changed its name from SW Holdco, Inc. to SeaWorld Entertainment, Inc. in December 2012. We completed our initial public offering (the "IPO") in April 2013 and our common stock is listed on the New York Stock Exchange under the symbol "SEAS".

On May 8, 2017, an affiliate of ZHG Group, Sun Wise (UK) Co., LTD ("ZHG") acquired approximately 21% of the then outstanding shares of common stock of the Company from certain affiliates of Blackstone (the "Seller"), pursuant to a Stock Purchase Agreement between ZHG and the Seller (the "Stock Purchase Agreement"). See further discussion in Note 1—Description of the Business and Note 17—Related-Party Transactions to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. As of December 31, 2018, ZHG owned approximately 23.1% and Hill Path owned approximately 16.6% of our total outstanding common stock.

Available Information

Our website is <http://www.seaworldentertainment.com>. Information contained on our website is not incorporated by reference herein and is not a part of this Annual Report on Form 10-K. We make available free of charge, on or through the "Investor Relations" section of our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after electronically filing or furnishing these reports with the Securities and Exchange Commission ("SEC"). We have adopted a Code of Business Conduct and Ethics applicable to our employees including our principal executive, financial and accounting officers, and it is available free of charge, on or through the "Investor Relations" section of our website along with our Corporate Governance Guidelines, and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The Company will disclose within four business days any substantive changes in, or waivers of, the Code of Business Conduct and Ethics granted to our principal executive officer, principal financial

officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website as set forth above rather than by filing a Form 8-K.

The SEC maintains a website at <http://www.sec.gov> that contains our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and our proxy and information statements.

Website and Social Media Disclosure

We use our websites (www.seaworldentertainment.com and www.seaworldinvestors.com) and our corporate Twitter account (@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, 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 Annual Report on Form 10-K.

Item 1A. Risk Factors

The following risk factors should be read carefully in connection with evaluating us and this Annual Report on Form 10-K. Certain statements in “Risk Factors” are forward-looking statements. See “Special Note Regarding Forward-Looking Statements” elsewhere in this report:

Risks Related to Our Business and Our Industry

We are subject to complex federal and state regulations governing the treatment of animals, which can change, and to claims and lawsuits by activist groups before government regulators and in the courts.

We operate in a complex and evolving regulatory environment and are subject to various federal and state statutes and regulations and international treaties implemented by federal law. The states in which we operate also regulate zoological activity involving the import and export of exotic and native wildlife, endangered and/or otherwise protected species, zoological display and anti-cruelty statutes. We incur significant compliance costs in connection with these regulations and violation of such regulations could subject us to fines and penalties and result in the loss of our licenses and permits, which, if occurred, could impact our ability to display certain animals. Future amendments to existing statutes, regulations and treaties or new statutes, regulations and treaties or lawsuits against the Company, government agencies or other third parties in the zoological industry may potentially restrict our ability to maintain our animals, or to acquire new ones to supplement or sustain our breeding programs or otherwise adversely affect our business.

In 2017, the Orca Responsibility and Care Advancement Act (the “ORCA Act”) was reintroduced. If enacted, this reintroduced bill would amend the Marine Mammal Protection Act of 1972 and the Animal Welfare Act to prohibit the breeding, the taking (wild capture), and the import or export of orcas for the purposes of public display. In addition, the reintroduced bill would prohibit the transport of orcas from one park to another but does allow for transport to a “marine mammal sanctuary” and attempts to officially define the term “sanctuary” in law.

In 2016, a California lawmaker reintroduced the California Orca Protection Act. On August 26, 2016, this bill was enacted into law and (i) codified the end of captive breeding programs and the export and import of genetic materials for orcas in California, (ii) prohibits the import or export of new orcas into or existing orcas out of California, (iii) permits the transfer of orcas currently in California among existing SeaWorld facilities and (iv) requires educational presentations of orcas in California. We introduced new orca programs in our San Diego park in 2017 which are consistent with these standards. In 2018, a Florida State lawmaker filed a Florida Orca Protection bill, with similar language to the California legislation, which would have similar implications to the California legislation; however, we are developing new orca programs at all SeaWorld parks which are consistent with the proposed standards. In 2019, a California lawmaker introduced an amendment to the California Orca Protection Act which could expand the act to cover all whales and dolphin species. If enacted as proposed, the California Orca Protection Act could require changes to our business and could result in material costs and negatively impact our results of operations.

In 2015 legislation was proposed that would have directed the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (“APHIS”) to issue updated regulations for the display of marine mammals in domestic zoos and aquaria within six months of enactment. This proposed rule would have affected sections in the regulations for the protection of all marine mammals in the United States relating to human marine mammal interactive programs, space requirements, water quality, indoor facilities, outdoor facilities, implementation dates, and variances. The full impact of the Proposed APHIS Regulations on our business is not determinable until the Proposed APHIS Regulations are finalized. If enacted, the Proposed APHIS Regulations could increase our regulatory compliance burdens and costs, impact the way and manner the Company’s marine mammals are displayed and require additional management attention and investments to come into compliance.

In light of the uncertain legal, legislative and regulatory environment and evolving public sentiment, we continue to evaluate a broad spectrum of enhancements, modifications and alternatives with respect to the display, husbandry and breeding practices, handling and care, and study and research of our orcas and other marine animals. Any decisions regarding such matters are subject to consideration and assessment of various factors including, but not limited to, the health and welfare of the animals, guest sentiment, market conditions, anticipated impact on our business, regulatory environment, legal proceedings, input from our shareholders and conservation partners, and other factors. If we were to pursue or be required to pursue any alternative approaches with respect to the display, husbandry and breeding practices, handling and care, or study and research of our orcas or other animals in our zoological collection, the full impact of such alternatives on our business will not be known until such alternatives are finalized. In the meantime, we continue to invest significant management attention and resources to evaluate the impact of and ensure compliance with the applicable regulatory and other developments.

We are subject to scrutiny by activist and other third-party groups and/or media who can pressure governmental agencies, vendors, partners, and/or regulators, bring action in the courts or create negative publicity about us.

From time to time, animal activist and other third-party groups may make claims before government agencies, bring lawsuits against us, and/or attempt to generate negative publicity associated with our business. Such activities sometimes are based on allegations that we do not properly care for some of our animals. On other occasions, such activities are specifically designed to change existing law or enact new law in order to impede our ability to retain, exhibit, acquire or breed animals. While we seek to structure our operations to comply with all applicable federal and state laws and vigorously defend ourselves when sued, there are no assurances as to the outcome of future claims and lawsuits that could be brought against us, governmental agencies or other third parties in the zoological industry. Even if not successful, these lawsuits can require deployment of Company resources.

Negative publicity created by activists or in the media could adversely affect our reputation and results of operations. At times, activists and other third-party groups have also attempted to generate negative publicity related to our relationships with our business partners, such as corporate sponsors, promotional partners, vendors, ticket resellers and others. These activities have at times led relationships with some ticket resellers to be terminated. Although sales from any particular ticket reseller may not constitute a significant portion of our ticket sales, if a relationship with a ticket reseller is terminated, we will attempt to find alternative distribution channels. However, there can be no assurance that we will be successful or that those channels will be as successful or not have additional costs. If we are unable to find cost effective alternative distribution channels, the loss of multiple ticket resellers could have a negative impact on our results of operations.

Various factors beyond our control could adversely affect attendance and guest spending patterns at our theme parks.

Various factors beyond our control could adversely affect attendance and guest spending patterns at our theme parks. These factors could also affect our suppliers, vendors, insurance carriers and other contractual counterparties. Such factors include but are not limited to:

- war, terrorist activities or threats and heightened travel security measures instituted in response to these events;
- outbreaks of pandemic or contagious diseases or consumers' concerns relating to potential exposure to travel-related health concerns such as pandemics and epidemics such as Ebola, Zika, Influenza H1N1, avian bird flu, SARS and MERS;
- natural disasters, such as hurricanes, fires, earthquakes, tsunamis, tornados, floods and volcanic eruptions and man-made disasters such as oil spills, which may deter travelers from scheduling vacations or cause them to cancel travel or vacation plans;
 - bad weather and even forecasts of bad weather, including abnormally hot, cold and/or wet weather, particularly during weekends, holidays or other peak periods;
- changes in the desirability of particular locations or travel patterns of both our domestic and international guests;
- fluctuations in foreign exchange rates;
- low consumer confidence;
- oil prices and travel costs and the financial condition of the airline, automotive and other transportation-related industries, any travel-related disruptions or incidents and their impact on travel or decrease transportation options to cities where we have parks;
- actions or statements by U.S. and foreign governmental officials, including the U.S. President and administration officials, related to travel and corporate travel-related activities (including changes to the U.S. visa rules) and the resulting public perception of such travel and activities; and
- interruption of public or private utility services to our theme parks.

Any one or more of these factors could adversely affect attendance, revenue and per capita spending at our theme parks, which could materially adversely affect our business, financial condition and results of operations. For example, in 2017, we experienced a decline in international attendance from certain markets including the United Kingdom. We believe these declines were due partly to the strengthening of the U.S. dollar against a variety of

foreign currencies. The June 2016 announcement of the Referendum of the United Kingdom's Membership of the European Union (referred to as Brexit) introduced additional volatility and uncertainty in global stock markets and currency exchange rates which we believe may have also had an impact on our international attendance from the United Kingdom. Historically, attendance from the United Kingdom represented approximately 5% of our total annual attendance. Fluctuations in foreign currency exchange rates impact our business. A strong dollar increases the cost for international tourists and could impact their spending. In addition, demand for our parks is highly dependent on the general environment for travel and tourism, which can be significantly adversely affected by extreme weather events. Any of such events could have a material adverse effect on our business, financial condition, or results of operations. For example, attendance at our parks in 2017 was negatively impacted by Hurricane Irma, which caused park closures in Tampa and Orlando, and, to a lesser extent, Hurricane Harvey, which caused park closures and travel disruptions in Texas, as well as weather impacts in Virginia.

Incidents or adverse publicity concerning our theme parks or the theme park industry generally could harm our brands or reputation as well as negatively impact our revenues and profitability.

Our brands and our reputation are among our most important assets. Our ability to attract and retain guests depends, in part, upon the external perceptions of the Company, the quality of our theme parks and services and our corporate and management integrity. The operation of theme parks involves the risk of accidents, illnesses, environmental incidents and other incidents which may negatively affect the perception of guest and employee safety, health, security and guest satisfaction and which could negatively impact our brands or reputation and our business and results of operations. An accident or an injury at any of our theme parks or at theme parks operated by competitors, particularly an accident or an injury involving the safety of guests and employees, that receives media attention, is the topic of a book, film, documentary or is otherwise the subject of public discussions, may harm our brands or reputation, cause a loss of consumer confidence in the Company, reduce attendance at our theme parks and negatively impact our results of operations. Such incidents have occurred in the past and may occur in the future. In addition, other types of adverse publicity concerning our business or the theme park industry generally could harm our brands, reputation and results of operations. The considerable expansion in the use of social media over recent years has compounded the impact of negative publicity. There has been and may continue to be perception issues and negative media attention that create a barrier to attendance at our parks which could materially adversely affect our business, financial condition and results of operations.

We could be adversely affected by a decline in discretionary consumer spending or consumer confidence.

Our success depends to a significant extent on discretionary consumer spending, which is heavily influenced by general economic conditions and the availability of discretionary income. In the past, severe economic downturns, coupled with high volatility and uncertainty as to the future global economic landscape, have had an adverse effect on consumers' discretionary income and consumer confidence.

Volatile, negative or uncertain economic conditions and recessionary periods may adversely impact attendance figures, the frequency with which guests choose to visit our theme parks and guest spending patterns at our theme parks. The actual or perceived weakness in the economy could also lead to decreased spending by our guests. For example, in 2009 and 2010, we experienced a decline in attendance as a result of the global economic crisis, which in turn adversely affected our revenue and profitability. Both attendance and total revenue per capita spending at our theme parks are key drivers of our revenue and profitability, and reductions in either can materially adversely affect our business, financial condition and results of operations.

A significant portion of our revenues are generated in the States of Florida, California and Virginia and in the Orlando market. Any risks affecting such markets, such as natural disasters and travel-related disruptions or incidents, may materially adversely affect our business, financial condition and results of operations.

Approximately 57%, 17% and 13% of our revenues in 2018 were generated in the States of Florida, California and Virginia, respectively. In addition, our revenues and results of operations depend significantly on the results of our Orlando theme parks. The Orlando theme park market is extremely competitive, with a high concentration of theme parks operated by several companies.

Any risks described in this Annual Report on Form 10-K, such as the occurrence of natural disasters and travel-related disruptions or incidents, affecting the States of Florida, California and Virginia generally or our Orlando theme parks in particular may materially adversely affect our business, financial condition or results of operations, especially if they have the effect of decreasing attendance at our theme parks or, in extreme cases, cause us to close any of our theme parks for any period of time. For example, in 2016, Florida was impacted by Tropical Storm Colin and both Florida and Virginia were impacted by Hurricanes Hermine and Matthew, which caused physical damage and power outages in various parts of Florida and Virginia. Although we attempted to manage our exposure to such events by implementing our hurricane preparedness plan, our theme parks located in Orlando and Tampa, Florida and in

Williamsburg, Virginia experienced closures as a result of these storms. In addition, attendance at our parks in 2017 was negatively impacted by Hurricane Irma, which caused park closures in Tampa and Orlando, and, to a lesser extent, Hurricane Harvey, which caused park closures and travel disruptions in Texas, as well as weather impacts in Virginia.

Our operating results are subject to seasonal fluctuations.

We have historically experienced and expect to continue to experience seasonal fluctuations in our annual theme park attendance and revenue, which are typically higher in our second and third quarters, partly because seven of our theme parks are only open for a portion of the year. Approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. In addition, school vacations and school start dates also cause fluctuations in our quarterly theme park attendance and revenue.

Furthermore, the operating season at some of our theme parks, including SeaWorld San Antonio, Aquatica San Antonio, Adventure Island, Aquatica San Diego, Busch Gardens Williamsburg, Water Country USA and Sesame Place, is of limited duration. In addition, most of our expenses for maintenance and costs of adding new attractions at our seasonal theme parks are incurred when the operating season is over, which may increase the need for borrowing to fund such expenses during such periods.

When conditions or events described in this section occur during the operating season, particularly during the second and third quarters, there is only a limited period of time during which the impact of those conditions or events can be mitigated. Accordingly, such conditions or events may have a disproportionately adverse effect on our revenues and cash flow.

Because we operate in a highly competitive industry, our revenues, profits or market share could be harmed if we are unable to compete effectively.

The entertainment industry, and the theme park industry in particular, is highly competitive. Our theme parks compete with other theme, water and amusement parks and with other types of recreational facilities and forms of entertainment, including movies, home entertainment options, sports attractions, restaurants and vacation travel.

Principal direct competitors of our theme parks include theme parks operated by The Walt Disney Company, Universal Parks and Resorts, Six Flags Entertainment Corporation, Cedar Fair, L.P., Merlin Entertainments plc, and Hershey Entertainment and Resorts Company. The principal competitive factors of a theme park include location, price, originality and perceived quality of the rides and attractions, the atmosphere and cleanliness of the theme park, the quality of its food and entertainment, weather conditions, ease of travel to the theme park (including direct flights by major airlines), and availability and cost of transportation to a theme park. Certain of our direct competitors have substantially greater financial resources than we do, and they may be able to adapt more quickly to changes in guest preferences or devote greater resources to promotion of their offerings and attractions than us. Our competitors may be able to attract guests to their theme parks in lieu of our own through the development or acquisition of new rides, attractions or shows that are perceived by guests to be of a higher quality and entertainment value. As a result, we may not be able to compete successfully against such competitors. For example, in 2014, we experienced negative attendance trends, primarily at our destination parks in Florida, which we believe was due in part to significant new attraction offerings at competitor destination parks, along with a delay in the scheduled opening of one of our new rides at our Busch Gardens Tampa park.

Featuring animals at our theme parks involves risks.

Our theme parks feature numerous displays and interactions that include animals. All animal enterprises involve some degree of risk. All animal interactions by our employees and our guests in attractions in our theme parks, where offered, involves risk. While we maintain strict safety procedures for the protection of our employees and guests, injuries or death, while rare, have occurred in the past. For example, in February 2010, a trainer was killed while engaged in an interaction with an orca. Following this incident, we were subject to an inspection by the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA"), which resulted in citations concerning alleged violations of the Occupational Safety and Health Act and certain regulations thereunder. In connection with this incident, we reviewed and revised our safety protocols and made certain safety-related facility enhancements such as revising training protocols used in show performances. This incident has also been and continues to be the subject of significant media attention, including extensive television and newspaper coverage, a documentary and a book, as well as discussions in social media. This incident and similar events that may occur in the future may harm our reputation, reduce attendance and negatively impact our business, financial condition and results of operations.

We maintain insurance of the type and in amounts that we believe are commercially reasonable and that are available to animal enterprise related businesses in the theme park industry. We cannot predict the level of the premiums that we may be required to pay for subsequent insurance coverage, the level of any self-insurance retention applicable thereto, the level of aggregate coverage available, or the availability of coverage for specific risks.

Animals in our care are important to our theme parks, and they could be exposed to infectious diseases.

Many of our theme parks are distinguished from those of our competitors in that we offer guest interactions with animals. Individual animals, specific species of animals or groups of animals in our zoological collection could be

exposed to infectious diseases. While we have never had any such experiences, an outbreak of an infectious disease among any animals in our theme parks or the public's perception that a certain disease could be harmful to human health may materially adversely affect our zoological collection, our business, financial condition and results of operations.

The high fixed cost structure of theme park operations can result in significantly lower margins if revenues decline.

A large portion of our expenses is relatively fixed because the costs for employees, maintenance, animal care, utilities, advertising and insurance do not vary significantly with attendance. These fixed costs may increase at a greater rate than our revenues and may not be able to be reduced at the same rate as declining revenues. If cost-cutting efforts are insufficient to offset declines in revenues or are impracticable, we could experience a material decline in margins, revenues, profitability and reduced or negative cash flows. Such effects can be especially pronounced during periods of economic contraction or slow economic growth.

Changes in consumer tastes and preferences for entertainment and consumer products could reduce demand for our entertainment offerings and products and adversely affect the profitability of our business.

The success of our business depends on our ability to consistently provide, maintain and expand theme park attractions as well as create online material and consumer products that meet changing consumer preferences. In addition, consumers from outside the United States constitute an important portion of our theme park attendance, and our success depends in part on our ability to successfully predict and adapt to tastes and preferences of this consumer group. If our entertainment offerings and products do not achieve sufficient consumer acceptance or if consumer preferences change, our business, financial condition or results of operations could be materially adversely affected.

Cyber security risks and the failure to maintain the integrity of internal or guest data could result in damages to our reputation, the disruption of operations and/or subject us to costs, fines or lawsuits.

We collect internal and customer data for business purposes. This data may include Personal Identifiable information held in our various information technology systems which collect, process, summarize and report such data. We also maintain personally identifiable information about our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our guests and employees have a high expectation that we will adequately protect their personal information. The regulatory environment, as well as the requirements imposed on us by the credit card industry, governing information, security and privacy laws is increasingly demanding and continues to evolve. Maintaining compliance with applicable security and privacy regulations may increase our operating costs and/or adversely impact our ability to market our theme parks, products and services to our guests. We also rely on accounting, financial and operational management information technology systems to conduct our operations. If these information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations could be materially adversely affected.

We face various security threats, including cyber security attacks on our data infrastructure. Although we utilize various procedures and controls to monitor and mitigate these threats, there can be no assurance that these procedures and controls will be sufficient to prevent penetrations or disruptions to our systems. Furthermore, a penetrated or compromised data system or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss, fraudulent or unlawful use of guest, employee or company data which could harm our reputation or result in remedial and other costs, fines or lawsuits and require significant management attention and resources to be spent. In addition, our insurance coverage and indemnification arrangements that we enter into, if any, may not be adequate to cover all the costs related to cyber security attacks or disruptions resulting from such events. To date, cyber security attacks directed at us have not had a material impact on our financial results. Due to the evolving nature of security threats, however, the impact of any future incident cannot be predicted.

Increased labor costs and employee health and welfare benefits may negatively impact our operations.

Labor is a primary component in the cost of operating our business. We devote significant resources to recruiting and training our employees. Increased labor costs due to competition, increased minimum wage or employee benefit costs or otherwise, would adversely impact our operating expenses. The Patient Protection and Affordable Care Act of 2010 and the amendments thereto contain provisions that have impacted our healthcare costs. Any future amendments could significantly increase our compensation costs, which would reduce our net income and adversely affect our cash flows.

In 2016, San Diego passed legislation increasing its minimum wage and beginning in January 2019, the San Diego minimum wage as well as the State of California minimum wage will change based on the consumer price index. Virginia has also proposed legislation that would take effect July 1, 2019 which would increase its minimum wage over a three year period to \$15 an hour by 2021. In addition, a number of companies from whom we compete for talent have publicly announced wage increases. Increases to the minimum wage in locations where we do business,

wages of companies from whom we compete for talent and/or increased benefit costs will negatively impact our operating expenses.

Our growth strategy may not achieve the anticipated results.

Our future success will depend on our ability to grow our business, including through capital investments to improve existing and develop new theme parks, rides, attractions and shows, as well as in-park product offerings and product offerings outside of our theme parks. Our growth and innovation strategies require significant commitments of management resources and capital investments and may not grow our revenues at the rate we expect or at all. As a result, we may not be able to recover the costs incurred in developing our new projects and initiatives or to realize their intended or projected benefits, which could materially adversely affect our business, financial condition or results of operations.

We may not be able to fund theme park capital expenditures and investment in future attractions and projects.

A principal competitive factor for a theme park is the originality and perceived quality of its rides and attractions. We need to make continued capital investments through maintenance and the regular addition of new rides and attractions. Our ability to fund capital expenditures will depend on our ability to generate sufficient cash flow from operations and to raise capital from third parties. We cannot assure you that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all, which could cause us to delay or abandon certain projects or plans.

Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.

We are subject to allegations, claims and legal actions arising in the ordinary course of our business, which may include claims by third parties, including guests who visit our theme parks, our employees or regulators. We are currently subject to securities litigation. The Company is also subject to audits, inspections and investigations by, or receives requests for information from, various federal and state regulatory agencies, including, but not limited to, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service ("APHIS"), the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA"), the California Occupational Safety and Health Administration ("Cal-OSHA"), state departments of labor, the Florida Fish & Wildlife Commission ("FWC"), the Equal Employment Opportunity Commission ("EEOC"), the Internal Revenue Service ("IRS"), the U.S. Department of Justice ("DOJ") and the Securities and Exchange Commission ("SEC"). From time to time, various parties may also bring lawsuits against the Company. For example, in June 2017, the Company received a subpoena in connection with an investigation by the DOJ concerning certain disclosures and public statements made by the Company and certain individuals on or before August 2014, and trading in the Company's securities. The Company also had received subpoenas from the staff of the SEC in connection with these matters. During the year ended December 31, 2018, the Company reached a settlement with the SEC. In connection with the settlement, without admitting or denying the substantive allegations in the SEC's complaint, the Company agreed to the entry of a final judgment ordering the Company to pay a civil penalty of \$4.0 million and enjoining the Company from violation of certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and certain rules thereunder. The settlement was approved by the U.S. District Court for the Southern District of New York on September 24, 2018. On December 11, 2018, the DOJ informed us that it does not intend to take any action against the Company or any individuals in connection with its investigation. We consider the DOJ matter concluded.

We discuss securities litigation and other litigation to which we are subject in greater detail in "Item 3. Legal Proceedings" and Note 15—Commitments and Contingencies to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The outcome of many of these proceedings cannot be predicted. If any proceedings, audits, inspections or investigations were to be determined adversely against us or resulted in legal actions, claims, regulatory proceedings, enforcement actions, or judgments, fines, or settlements involving a payment of material sums of money, or if injunctive relief were issued against us, our business, financial condition and results of operations could be materially adversely affected. Even the successful defense of legal proceedings may cause us to incur substantial legal costs and may divert management's attention and resources.

Our intellectual property rights are valuable, and any inability to protect them could adversely affect our business.

Our intellectual property, including our trademarks, service marks, domain names, copyrights, patent and other proprietary rights, constitutes a significant part of the value of the Company. To protect our intellectual property rights, we rely upon a combination of trademark, copyright, patent, trade secret and unfair competition laws of the United States and other countries, as well as contract provisions and third-party policies and procedures governing internet/domain name registrations. However, there can be no assurance that these measures will be successful in any given case, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States. We may be unable to prevent the misappropriation, infringement or violation of our intellectual property rights,

breaching any contractual obligations to us, or independently developing intellectual property that is similar to ours, any of which could reduce or eliminate any competitive advantage we have developed, adversely affect our revenues or otherwise harm our business.

We have obtained and applied for numerous U.S. and foreign trademark and service mark registrations and will continue to evaluate the registration of additional trademarks and service marks or other intellectual property, as appropriate. We cannot guarantee that any of our pending applications will be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. A failure to obtain registrations for our intellectual property in the United States and other countries could limit our ability to protect our intellectual property rights and impede our marketing efforts in those jurisdictions.

We are actively engaged in enforcement and other activities to protect our intellectual property rights. If it became necessary for us to resort to litigation to protect these rights, any proceedings could be burdensome, costly and divert the attention of our personnel, and we may not prevail. In addition, any repeal or weakening of laws or enforcement in the United States or internationally intended to protect intellectual property rights could make it more difficult for us to adequately protect our intellectual property rights, negatively impacting their value and increasing the cost of enforcing our rights.

We may be subject to claims for infringing the intellectual property rights of others, which could be costly and result in the loss of significant intellectual property rights.

We cannot be certain that we do not and will not infringe the intellectual property rights of others. We have been in the past, and may be in the future, subject to litigation and other claims in the ordinary course of our business based on allegations of infringement or other violations of the intellectual property rights of others. Regardless of their merits, intellectual property claims can divert the efforts of our personnel and are often time-consuming and expensive to litigate or settle. In addition, to the extent claims against us are successful, we may have to pay substantial money damages or discontinue, modify or rename certain products or services that are found to be in violation of another party's rights. We may have to seek a license (if available on acceptable terms, or at all) to continue offering products and services, which may significantly increase our operating expenses.

If we lose licenses and permits required to exhibit animals and/or violate laws and regulations, our business will be adversely affected.

We are required to hold government licenses and permits, some of which are subject to yearly or periodic renewal, for purposes of possessing, exhibiting and maintaining animals. Although our theme parks' licenses and permits have always been renewed in the past, in the event that any of our licenses or permits are not renewed or any of our licenses or permits are revoked, portions of the affected theme park might not be able to remain open for purpose of displaying or retaining the animals covered by such license or permit. Such an outcome could materially adversely affect our business, financial condition and results of operations.

In addition, we are subject to periodic inspections by federal and state agencies and the subsequent issuance of inspection reports. While we believe that we comply with, or exceed, requisite care and maintenance standards that apply to our animals, government inspectors can cite us for alleged statutory or regulatory violations. In unusual instances when we are cited for an alleged deficiency, we are most often given the opportunity to correct any purported deficiencies without penalty. It is possible, however, that in some cases a federal or state regulator could seek to impose monetary fines on us. In the past, when we have been subjected to governmental claims for fines, the amounts involved were not material to our business, financial condition or results of operations. However, while highly unlikely, we cannot predict whether any future fines that regulators might seek to impose would materially adversely affect our business, financial condition or results of operations. Moreover, many of the statutes under which we operate allow for the imposition of criminal sanctions. While neither of the foregoing situations are likely to occur, either could negatively affect the business, financial condition or results of operations at our theme parks.

If we lose key personnel, our business may be adversely affected.

Our success depends in part upon a number of key employees, including members of our senior management team who have extensive experience in the industry. We may be unable to retain them or to attract other highly qualified employees, particularly if we do not offer employment terms that are competitive with the rest of the market. Failure to attract, motivate and retain highly qualified employees, or failure to develop and implement a viable succession plan, could adversely affect our business and our future success. The Board recently appointed Gustavo (Gus) Antorcha as Chief Executive Officer and member of the Board of Directors. Changes in the Company's management team and to the Board of Directors, may be disruptive to, or cause uncertainty in, the Company's business, and any additional changes to the management team or the Board of Directors could have a negative impact on the Company's ability to manage and grow its business effectively. In addition, if the Company is not effective in its succession planning, it may have a negative impact on the Company's ability to successfully recruit for its management team. Any such disruption or uncertainty or difficulty in efficiently and effectively filling key management roles could have a material adverse impact on the Company's business, results of operations and/or the price of the Company's common stock.

Unionization activities or labor disputes may disrupt our operations and affect our profitability.

Although none of our employees are currently covered under collective bargaining agreements, we cannot guarantee that our employees will not elect to be represented by labor unions in the future. If some or all of our employees were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could adversely affect our business, financial condition or results of operations. In addition, a labor dispute involving some or all of our employees may disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs.

Although we maintain binding policies that require employees to submit to a mandatory alternative dispute resolution procedure in lieu of other remedies, as employers, we may be subject to various employment-related claims, such as individual or class actions or government enforcement actions relating to alleged employment discrimination, employee classification and related withholding, wage-hour, labor standards or healthcare and benefit issues. Such actions, if brought against us and successful in whole or in part, may affect our ability to compete or materially adversely affect our business, financial condition or results of operations.

Our business depends on our ability to meet our workforce needs.

Our success depends on our ability to attract, train, motivate and retain qualified employees to keep pace with our needs, including employees with certain specialized skills in the field of animal training and care. If we are unable to do so, our results of operations and cash flows may be adversely affected.

In addition, we employ a significant seasonal workforce. We recruit year-round to fill thousands of seasonal staffing positions each season and work to manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. There is no assurance that we will be able to recruit and hire adequate seasonal personnel as the business requires or that we will not experience material increases in the cost of securing our seasonal workforce in the future. Increased seasonal wages or an inadequate workforce could materially adversely affect our business, financial condition or results of operations. See also, “Increased labor costs and employee health and welfare benefits may negatively impact our operations.”

We may not realize the benefits of developments, restructurings, acquisitions or other strategic initiatives.

Our business strategy may include selective expansion, both domestically and internationally, through acquisitions of assets or other strategic initiatives, such as joint ventures, that allow us to profitably expand our business and leverage our brands. For example, in 2016 we announced our partnership with Miral Asset Management LLC to develop SeaWorld Abu Dhabi, a first-of-its-kind marine life themed park on Yas Island. In addition, on March 24, 2017, we entered into a Park Exclusivity and Concept Design Agreement (“ECDA”) and a Center Concept & Preliminary Design Support Agreement (“CDSA”) with an affiliate of ZHG Group to provide design, support and advisory services for various potential projects and granting exclusive rights in China, Taiwan, Hong Kong and Macau. There is no assurance that the Miral partnership or any other expansion effort for our business, including without limitation the ECDA and the CDSA, will be successful.

Any international transactions and partnerships are subject to additional risks, including foreign and U.S. regulations on the import and export of animals, the impact of economic fluctuations in economies outside of the United States, difficulties and costs of staffing and managing foreign operations due to distance, language and cultural differences, as well as political instability and lesser degree of legal protection in certain jurisdictions, currency exchange fluctuations and potentially adverse tax consequences of overseas operations. In addition, the success of any acquisition depends on effective integration of acquired businesses and assets into our operations, which is subject to risks and uncertainties, including realization of anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management’s attention from other business concerns, and undisclosed or potential legal liabilities of acquired businesses or assets.

The Company has a strategic plan to grow revenue and Adjusted EBITDA and, from time to time, identifies and executes on cost reduction opportunities. There can be no assurances that we will be able to achieve and/or sustain the cost savings, grow our business or realize or sustain the operational efficiencies. See further discussion under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations Principal Factors and Trends Affecting Our Results of Operations Costs and Expenses” included elsewhere in this Annual Report on Form 10-K.

If we are unable to maintain certain commercial licenses, our business, reputation and brand could be adversely affected.

We rely on a license from Sesame to use the Sesame Place trade name and trademark and certain other intellectual property rights, including titles, marks, characters, logos and designs from the Sesame Street television series within our Sesame Place theme park located in Langhorne, Pennsylvania (the “Langhorne Sesame Place”) and any additional future Sesame Place theme parks in the United States (collectively, the “Standalone Parks”) and with respect to Sesame Street themed areas within certain areas of some of our other theme parks, as well as in connection with the sales of

certain Sesame Street themed products. The License Agreement with Sesame Workshop (the “Sesame License Agreement”) has an initial term through December 31, 2031, with an automatic additional 15-year extension plus a 5-year option added from each new Standalone Park opening. Our use of these intellectual property rights is subject to the approval of Sesame and the parties have certain termination rights under the Sesame License Agreement, including without limitation Sesame’s right to terminate the Sesame License Agreement in whole or in part under certain limited circumstances, including a change of control of the Company (or of SeaWorld Parks and Entertainment, Inc., a wholly-owned subsidiary of the Company), the Company’s bankruptcy or uncured breach of the Sesame License Agreement, or the termination of the Sesame License Agreement regarding the Langhorne Sesame Place theme park. If we were to lose or have to renegotiate the Sesame License Agreement, our business may be adversely affected.

ABI is the owner of the Busch Gardens trademarks and domain names. ABI has granted us a perpetual, exclusive, worldwide, royalty-free license to use the Busch Gardens trademark and certain related domain names in connection with the operation, marketing, promotion and advertising of certain of our theme parks, as well as in connection with the production, use, distribution and sale of merchandise sold in connection with such theme parks. Under the license, we are required to indemnify ABI against losses related to our use of the marks. If we were to lose or have to renegotiate this license, our business may be adversely affected.

Our existing debt agreements contain, and future debt agreements may contain, restrictions that may limit our flexibility in operating our business.

Our existing debt agreements contain, and documents governing our future indebtedness may contain, financial and operating covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, pay dividends and other distributions, make capital expenditures, make certain loans, investments and other restricted payments, enter into agreements restricting our subsidiaries' ability to pay dividends, engage in certain transactions with stockholders or affiliates, sell certain assets or engage in mergers, acquisitions and other business combinations, amend or otherwise alter the terms of our indebtedness, alter the business that we conduct, guarantee indebtedness or incur other contingent obligations and create liens. Our existing debt agreements also require, and documents governing our future indebtedness may require, us to meet certain financial ratios and tests. Our ability to comply with these and other provisions of the existing debt agreements is dependent on our future performance, which will be subject to many factors, some of which are beyond our control. The breach of any of these covenants or non-compliance with any of these financial ratios and tests could result in an event of default under the existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions. We discuss certain key covenants and financial ratios to which we are subject under our debt agreements in greater detail under the caption "Restrictive Covenants" in Note 12—Long-Term Debt to our accompanying consolidated financial statements included elsewhere in this Annual Report on Form 10-K and under "Management's Discussion and Analysis of Financial Condition and Results of Operations Our Indebtedness Covenant Compliance". Additionally, variable rate indebtedness subjects us to the risk of higher interest rates, which could cause our future debt service obligations to increase significantly.

Changes to, or the elimination of, LIBOR may adversely affect interest expense related to our indebtedness.

We expect current and future borrowings under our Term B-5 Loans which mature on March 31, 2024, and the New Revolving Credit Facility which matures on October 31, 2023 to be based on LIBOR. We have also hedged approximately \$1.0 billion of LIBOR based debt which matures on March 14, 2020. In July 2017, the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the United Kingdom, stated that it will plan for a phase out of regulatory oversight of LIBOR interest rates indices. The FCA has indicated it will support the LIBOR indices through 2021, to allow for an orderly transition to an alternative reference rate. If LIBOR ceases to exist, we may need to renegotiate any credit agreements or hedge transactions extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. Also, if we intend to hedge our LIBOR denominated debt, we cannot predict whether hedging opportunities will exist on acceptable terms. The Alternative Reference Rates Committee, which was charged with determining a replacement for LIBOR, has proposed the Secured Overnight Financing Rate ("SOFR"), as its recommended alternative to LIBOR. Subsequent to that recommendation, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-16, Derivatives and Hedging which includes SOFR as a permitted rates that can be used in the application of hedge accounting pursuant to adoption of the standard (see Note—3 Recent Accounting Pronouncements to our accompanying consolidated financial statements included elsewhere in this Annual report on Form 10-K for further discussion). The Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The market transition away from LIBOR is expected to be gradual and complicated, and to include the development of term and credit adjustments to accommodate differences between LIBOR and SOFR. There can be no guarantee that SOFR will become widely used or that alternatives may be developed without additional complications. We are not able to predict whether LIBOR will cease to be available after 2021, whether SOFR will become a widely accepted benchmark in place of LIBOR, or what the impact of such a possible transition from LIBOR may be on our business, financial condition, and results of operations.

Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets.

Moody's Investor Service and Standard & Poor's Financial Services routinely evaluate our debt and issue ratings on our Senior Secured Credit Facilities. These ratings are based on a number of factors, which included their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. Due to changes in these factors and market conditions, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity and access to capital markets.

For example, as of December 31, 2018, our Senior Secured Credit Facilities were rated by Standard and Poor's Financial Services (corporate credit rated B with a positive outlook and the Senior Secured Credit Facilities rated B) and Moody's Investors Service (corporate family rated B2 with a stable outlook and the Senior Secured Credit Facilities rated B2). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of these ratings on our costs of funds and related margins, liquidity and access to capital markets. Our borrowing costs depend, in part, on our credit ratings and any actions taken by these credit rating agencies to lower our credit ratings, could increase our borrowing costs.

Our leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.

As of December 31, 2018, our total indebtedness was approximately \$1.553 billion. Our high degree of leverage could have important consequences, including the following: (i) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations, future business opportunities, share repurchases of the Company's common stock and capital expenditures; (ii) our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate purposes in the future may be limited; (iii) certain of the borrowings are at variable rates of interest, which will increase our vulnerability to increases in interest rates; (iv) we are at a competitive disadvantage to less leveraged competitors; (v) we may be unable to adjust rapidly to changing market conditions; (vi) the debt service requirements of our other indebtedness could make it more difficult for us to satisfy our financial obligations; and (vii) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth.

Our ability to make scheduled payments of the principal of, or to pay interest on, or to refinance indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the banking and capital markets. If unable to generate sufficient cash flow to service our debt or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, which could cause us to default on our obligations and impair our liquidity. There can be no assurance that any refinancing of our indebtedness will be possible and any such refinancing could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. We from time to time may increase the amount of our indebtedness, modify the terms of our financing arrangements, issue dividends, make capital expenditures and take other actions that may substantially increase our leverage.

Despite our significant leverage, we may incur significant additional amounts of debt, which could further exacerbate the risks associated with our significant leverage.

Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. Although we maintain various safety and loss prevention programs and carry property and casualty insurance to cover certain risks, our insurance policies do not cover all types of losses and liabilities. There can be no assurance that our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured, and we cannot guarantee that we will be able to renew our current insurance policies on favorable terms, or at all. In addition, if we or other theme park operators sustain significant losses or make significant insurance claims, then our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

We may be unable to purchase or contract with third-party manufacturers for our theme park rides and attractions, or construction delays may occur and impact attraction openings.

We may be unable to purchase or contract with third parties to build high quality rides and attractions and to continue to service and maintain those rides and attractions at competitive or beneficial prices, or to provide the replacement parts needed to maintain the operation of such rides. In addition, if our third-party suppliers' financial condition deteriorates or they go out of business, we may not be able to obtain the full benefit of manufacturer warranties or indemnities typically contained in our contracts or may need to incur greater costs for the maintenance, repair, replacement or insurance of these assets. We may also incur unanticipated construction delays in completing capital projects which could adversely affect ride or attraction opening dates which could impact our attendance or

revenues. Further, when rides and/or attractions have downtime and/or closures, our attendance or revenue could be adversely affected.

Our operations and our ownership of property subject us to environmental requirements, and to environmental expenditures and liabilities.

We incur costs to comply with environmental requirements, such as those relating to water use, wastewater and storm water management and disposal, air emissions control, hazardous materials management, solid and hazardous waste disposal, and the clean-up of properties affected by regulated materials.

We have been required and continue to investigate and clean-up hazardous or toxic substances or chemical releases, and other releases, from current or formerly owned or operated facilities. In addition, in the ordinary course of our business, we generate, use and dispose of large volumes of water, including saltwater, which requires us to comply with a number of federal, state and local regulations and to incur significant expenses. Failure to comply with such regulations could subject us to fines and penalties and/or require us to incur additional expenses. Although we are not now classified as a large quantity generator of hazardous waste, we do store and handle hazardous materials to operate and maintain our equipment and facilities and have done so historically.

We cannot assure you that we will not incur substantial costs to comply with new or expanded environmental requirements in the future or to investigate or clean-up new or newly identified environmental conditions, which could also impair our ability to use or transfer the affected properties and to obtain financing.

The suspension or termination of any of our business licenses may have a negative impact on our business.

We maintain a variety of business licenses issued by federal, state and local authorities that are renewable on a periodic basis. We cannot guarantee that we will be successful in renewing all of our licenses on a periodic basis. The suspension, termination or expiration of one or more of these licenses could materially adversely affect our revenues and profits. In addition, any changes to the licensing requirements for any of our licenses could affect our ability to maintain the licenses or increase the cost of retaining the license.

Delays, restrictions or inability to obtain or maintain permits for capital investments could impair our business.

Our capital investments require regulatory permits from one or more governmental agencies in order to improve existing or build new theme parks, rides, attractions and shows. Such permits are typically issued by state agencies, but federal and local governmental permits may also be required. The requirements for such permits vary depending on the location of such capital investments. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued, and the conditions that may be imposed in connection with the granting of the permit. Therefore, our capital investments in certain areas may be delayed, interrupted or suspended for varying lengths of time, causing a loss of revenue to us and adversely affecting our results of operations.

Financial distress experienced by our strategic partners or other counterparties could have an adverse impact on us.

We are party to numerous contracts of varying durations. Certain of our agreements are comprised of a mixture of firm and non-firm commitments, varying tenures and varying renewal terms, among other terms. There can be no guarantee that, upon the expiration of our contracts, we will be able to renew such contracts on terms as favorable to us, or at all.

Although we attempt to assess the creditworthiness of our strategic partners and other contract counterparties, there can be no assurance as to the creditworthiness of any such strategic partner or contract counterparty. Financial distress experienced by our strategic partners or other counterparties could have an adverse impact in the event such parties are unable to pay us for the services we provide or otherwise fulfill their contractual obligations.

We are exposed to the risk of loss in the event of non-performance by such strategic partners or other counterparties. Some of these counterparties may be highly leveraged and subject to their own operating, market and regulatory risks, and some are experiencing, or may experience in the future, severe financial problems that have had or may have a significant impact on their creditworthiness. Since April 2018, there have been reports that ZHG or its affiliates have been experiencing financial distress. The inability of affiliates of ZHG Group to pay amounts due to us or otherwise fulfill their obligations to us under their agreements with us, including the Park Exclusivity and Concept Design Agreement (“ECDA”) and/or the Center Concept & Preliminary Design Support Agreement (“CDSA”), could have an adverse impact on us. In addition, the sale or transfer of our common stock owned by affiliates of ZHG Group, or the perception that such sales or transfers could occur, could harm the prevailing market price of shares of our common stock.

We cannot provide any assurance that our strategic partners and other contractual counterparties will not become financially distressed or that such financially distressed strategic partners or counterparties will not default on their obligations to us or file for bankruptcy or other creditor protection. If one of such strategic partners or counterparties files for bankruptcy or other creditor protection, we may be unable to collect all, or even a significant portion, of amounts owed to us. Contracts with such strategic partners or counterparties could also be subject to renegotiation or

rejection under applicable provisions of bankruptcy laws. If any such contract is rejected, we would be left with a general unsecured claim against such contract counterparty's bankruptcy estate. The recovery rate on general unsecured claims is speculative and inherently uncertain, and it is possible that we may receive little to no recovery on account of such claim. Accordingly, significant strategic partner and other counterparty defaults and bankruptcy filings could have a material adverse effect on our business, financial position, results of operations or cash flows.

Any material nonpayment or nonperformance from our contract counterparties due to inability or unwillingness to perform or adhere to contractual arrangements could have a material adverse impact on our business, results of operations, financial condition and ability to make cash distributions to its shareholders. Furthermore, in the case of financially distressed strategic partners, such events might otherwise force such strategic partners to curtail their commercial relationships with us, which could have a material adverse effect on our results of operations, financial condition, and cash flows.

Changes to immigration, foreign trade, investments or other policies of the United States could adversely impact our business, financial condition and results of operations.

Certain policies regarding foreign travel to the United States, foreign trade, manufacturing, development and investment could adversely affect our business. For example, policies that strengthen the U.S. dollar against a variety of foreign currencies could impact international tourist spending, including at our theme parks. In addition, foreign tourists may opt to reduce their travel to the United States as a result of policies regarding immigration, foreign trade or other matters. While there is currently a substantial lack of clarity and uncertainty around the likelihood, timing and details of any such policies and reforms, such policies and reforms may materially and adversely affect our business, financial condition and results of operations and the value of our securities.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

Our operations are capital intensive and require significant investment in long-lived assets, such as property, equipment and other long-lived assets and indefinite-lived intangible assets. Goodwill and other intangible assets represent a significant portion of our assets. We review goodwill and intangible assets at least annually for impairment. Impairment may result from, among other things, deterioration in park performance, adverse competitive conditions, adverse changes in applicable laws or regulations, including changes that restrict our activities or affect the services we offer, challenges to the validity of our intellectual property and a variety of other factors. For example, in 2017 due to financial performance at our SeaWorld Orlando park, we determined a triggering event had occurred that required an interim goodwill impairment test. Based on the results of the interim goodwill impairment test, we concluded that the goodwill for the SeaWorld Orlando reporting unit was fully impaired which resulted in a goodwill impairment charge of \$269.3 million for the year ended December 31, 2017. See Note 9—Goodwill, Net, in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. There is no assurance that we will not experience similar asset impairments in the future. Any impairment of goodwill or other intangible assets would result in a non-cash charge against earnings, which would adversely affect our results of operations.

Changes to tax laws may result in a material adverse effect on our business, cash flow, results of operations or financial condition.

The Tax Cuts and Jobs Act (the “Tax Act”), was enacted on December 22, 2017, and contains a number of changes to U.S. federal tax laws. The Tax Act requires complex computations that were not previously provided for under U.S. tax law and significantly revised the U.S. tax code by, among other changes, lowering the corporate income tax rate from 35% to 21% and imposing limitations on the deductibility of interest. As of December 31, 2018, the Company has calculated the impact of the Tax Act in accordance with its current interpretation and available guidance, particularly as it relates to the future deductibility of executive compensation items and state conformity to the Tax Act. However, additional guidance may be issued by the Internal Revenue Service, or IRS, the Department of the Treasury, or other governing body that may significantly differ from our interpretation of the law, which may result in a material adverse effect on our business, cash flow, results of operations or financial conditions.

Tariffs or other trade restrictions could adversely impact our business, financial condition and results of operations.

We purchase some of our merchandise for resale and other products used in our business from entities which are located in foreign countries. Additionally, some of our ride manufacturers may be located in foreign countries or utilize components manufactured or sourced from foreign countries. These relationships expose us to risks associated with doing business globally, including changes in tariffs, quotas and other restrictions on imports (collectively, “Trade Restrictions”). Recently, the United States imposed increased tariffs on certain imports from China. While the current tariffs have not had a material impact on goods that we currently either import from China or purchase from domestic vendors which import from China, the U.S. administration has proposed additional tariffs on a list of thousands of categories of products that may be imposed imminently and expressed a willingness for further tariffs on goods

imported from China, including on additional items that we purchase. While it is too early to predict how the recently enacted, proposed and any future tariffs or any other Trade Restrictions will impact our business, such Trade Restrictions would likely result in lower gross margin on impacted products, unless we are able to take successfully any one or more of the following mitigating actions: increase our prices, move production to countries with no or lower tariffs or away from domestic vendors who source from China or other tariff impacted countries, or alter or cease offering certain products. Any increase in pricing, alteration of products or reduced product offering could reduce the competitiveness of our products. Furthermore, any retaliatory counter-measures imposed by countries subject to such tariffs, such as China, could increase our, or our vendors', import expenses. Additionally, even if the products we import are not directly impacted by additional tariffs, the imposition of such additional tariffs on goods imported into the United States could cause increased prices for consumer goods, in general, which could have a negative impact on consumer spending for discretionary items reducing attendance or spending at our parks. These direct and indirect impacts of increased tariffs or Trade Restrictions implemented by the United States, both individually and cumulatively, could have a material adverse effect on our business, financial condition and results of future operations.

We could be adversely impacted by actions of activist stockholders, and such activism could impact the value of our securities.

We value constructive input from our stockholders and the investment community. Our Board and management team are committed to acting in the best interests of all of our stockholders. There is no assurance that the actions taken by our Board of Directors and management in seeking to maintain constructive engagement with our stockholders will be successful. Responding to actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could also interfere with our ability to execute our strategic plan and our long term growth. The perceived uncertainties as to our future direction caused by activist actions could affect the market price of our securities, result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel, board members and business partners. In addition, any interference with our annual meeting process, including but not limited to a proxy contest for the election of directors at our annual meeting, could require us to incur significant legal and other advisory fees and proxy solicitation expenses and require significant time and attention by management and our Board.

Affiliates of Hill Path Capital LP could be able to significantly influence our decisions and their interests may conflict with ours or yours in the future.

On February 14, 2019, Hill Path Capital LP and affiliated entities (“Hill Path”) filed with the SEC a Schedule 13F reporting that such persons had accumulated a total of 13,991,306 shares of the Company’s common stock, which represented approximately 16.6% of the Company’s total outstanding shares of common stock as of December 31, 2018. In addition, on November 7, 2017, Hill Path filed a Schedule 13D which stated, among other things, that they may suggest changes in the Company’s business, operations, capital structure, capital allocation, corporate governance and other strategic matters. As described in our Current Report on Form 8-K filed on November 7, 2017, we entered into a cooperation agreement and certain related agreements with Hill Path with a view to working collaboratively to build long term stockholder value. Pursuant to the cooperation agreement, on November 5, 2017, the Board appointed Scott I. Ross (the “Designee”) to the Board and created the Revenue Committee of the Board. The Revenue Committee is responsible for the development, articulation and execution of the Company’s short-term and long-term revenue-growth strategies. For so long as the Designee remains on our Board, Hill Path will have influence with respect to our management, business plans and policies, including the appointment and removal of our officers. Also, for so long as Hill Path continues to own a significant percentage of our stock, Hill Path may be able to influence whether or not a change of control of our Company or a change in the composition of our Board of Directors occurs. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our company and ultimately might affect the market price of our common stock.

Affiliates of ZHG Group will be able to significantly influence our decisions and their interests may conflict with ours or yours in the future.

Affiliates of ZHG Group beneficially own approximately 23.1% of our common stock as of December 31, 2018 and have the ability to elect a specified number of members of our Board of Directors as described in our Current Report on Form 8-K filed on March 24, 2017. Thus, for so long as ZHG Group continues to own specified percentages of our stock, ZHG Group will be able to influence the composition of our Board of Directors and the approval of actions requiring stockholder approval. Accordingly, during that period of time, ZHG Group will have influence with respect to our management, business plans and policies, including the appointment and removal of our officers. For example, for so long as ZHG Group continues to own a significant percentage of our stock, ZHG Group may be able to influence whether or not a change of control of our company or a change in the composition of our Board of Directors occurs. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our company and ultimately might affect the market price of our common stock.

ZHG Group and its respective affiliates engage in a broad spectrum of activities, including investments in the real estate, leisure, culture, and tourism industries. In the ordinary course of their business activities, ZHG Group and its

respective affiliates may engage in activities in which their interests conflict with ours or those of our stockholders. Under the Company's stockholders agreement with ZHG Group, the Company agreed to renounce any interest or expectancy, or right to be offered an opportunity to participate in, any business opportunity or corporate opportunity presented to ZHG Group or its affiliates. ZHG Group also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may be unavailable to us. In addition, ZHG Group may have an interest in pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance their respective investments, even though such transactions might involve risks to you.

Risks Related to Ownership of Our Common Stock

Our stock price may change significantly, and you may not be able to sell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.

The trading price of our common stock has been, and may continue to be, volatile. Since shares of our common stock were sold in our IPO in April 2013 through December 31, 2018, our common stock close price has ranged from \$10.61 to \$38.92. In addition to the risk factors discussed in this Annual Report on Form 10-K, the trading price of our common stock may be adversely affected due to a number of factors, many of which are beyond our control, including:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- declines in the market prices of stocks generally, or those of amusement and theme parks companies;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, new products, acquisitions, joint marketing relationships, joint ventures, other strategic relationships or capital commitments;
- changes in general economic or market conditions or trends in our industry or markets;
- changes in business or regulatory conditions;
- future sales of our common stock or other securities;
- repurchases of our common stock;
- investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- rumors and market speculation involving us or other companies in our industry, particularly with respect to strategic transactions;
- announcements relating to litigation;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our stock;
- actions by institutional or activist stockholders;
- changes in accounting principles; and
- other events or factors, including those resulting from natural disasters, war, acts of terrorism or responses to these events.

We have suspended the dividend on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock in the future.

In September 2016, our Board suspended the Company's quarterly dividend to allow the Company greater flexibility to deploy capital to opportunities that offer the greatest long term returns to shareholders, such as, but not limited to, share repurchases, investments in new attractions or debt repayments. Future dividends, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board and will depend upon many factors, including, but not limited to, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and in any preferred stock, business prospects and other factors that the Board deems relevant. Our ability to declare dividends and make other restricted payments is limited by covenants in our senior secured credit facilities pursuant to a credit agreement dated as of December 1, 2009, as the same may be amended, restated, supplemented or modified from time to time (the "Senior Secured Credit Facilities"). The fiscal amount available for dividend declarations, share repurchases and other restricted payments under the covenant restrictions in the debt agreements adjusts at the beginning of each quarter. See Note 12—Long-Term Debt in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We cannot guarantee that our allocation of capital to various alternatives will enhance long-term stockholder value, and in some cases, our Share Repurchase Program could increase the volatility of the price of our common stock.

Our goal is to invest capital to maximize our overall long-term returns. This includes spending on capital projects and expenses, managing debt levels, and periodically returning capital to our shareholders through share repurchases and dividends. There can be no assurance that our capital allocation decisions will enhance shareholder value. During 2018, we repurchased a total of 3,654,816 shares of common stock at a total cost of approximately \$98.0 million, leaving approximately \$92.0 million available under the Share Repurchase Program as of December 31, 2018. On February 22, 2019, our Board authorized a replenishment to our Share Repurchase Program of \$158.0 million, bringing the total amount authorized for future share repurchases to \$250.0 million. The number of shares to be purchased and the timing of purchases will be based on our trading windows and available liquidity, general business and market conditions and other factors, including legal requirements and alternative opportunities. There were no share repurchases during the years ended December 31, 2017 and 2016. Repurchases of our common stock pursuant to the Share Repurchase Program could affect our stock price and increase its volatility. The existence of the Share Repurchase Program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of stock. Although the Share Repurchase Program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce such program's effectiveness.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline.

The sale of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Shares held by ZHG Group, Hill Path and certain of our directors, officers and employees are eligible for resale, subject to volume, manner of sale and other limitations under Rule 144. In addition, pursuant to a registration rights agreement entered into in connection with the ZHG Transaction, we granted ZHG Group the right, subject to certain conditions, to require us to register the sale of their shares of common stock under the Securities Act. We also entered into a side letter with Hill Path on November 5, 2017 that provides if it obtains any requisite Board approval or the consent of ZHG, the Company will execute and deliver to Hill Path a form of registration rights agreement which grants Hill Path limited shelf registration rights with respect to their common stock (including certain demand underwritten offering rights and piggyback registration rights) under the Securities Act.

As restrictions on resale end or if ZHG Group or Hill Path exercise their registration rights, the market price of our shares of common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future

offerings of our shares of common stock or other securities.

In addition, the shares of our common stock reserved for future issuance under the 2017 Omnibus Incentive Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, any applicable lock-up agreements in effect from time to time and Rule 144, as applicable. A total of 15,000,000 shares of common stock were reserved for issuance under the 2017 Omnibus Incentive Plan, of which approximately 9,770,000 shares of common stock remain available for future issuance as of December 31, 2018. In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

Anti-takeover provisions in our organizational documents could delay or prevent a change of control.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- the ability of our Board of Directors to issue one or more series of preferred stock;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- the removal of directors with or without cause only by the affirmative vote of the holders of at least 66.67% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class; and
- that certain provisions may be amended only by the affirmative vote of the holders of at least 66.67% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares.

The concentration of ownership of our capital stock limits your ability to influence corporate matters.

Our executive officers, directors, current 5% or greater stockholders and entities affiliated with them beneficially owned (as determined in accordance with the rules of the SEC) approximately 53.7% of our common stock outstanding as of December 31, 2018. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Also, these stockholders, acting together, may be able to control our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders.

Non-U.S. holders who own or owned more than a certain ownership threshold may be subject to United States federal income tax on gains realized on the disposition of our common stock.

We believe that we are currently a U.S. real property holding corporation for U.S. federal income tax purposes. So long as our common stock continues to be regularly traded on an established securities market, a non-U.S. stockholder who holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of our common stock will be subject to United States federal income tax on the disposition of our common stock. Non-U.S. holders should consult their own tax advisors concerning the consequences of disposing of shares of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table summarizes our principal properties, which includes approximately 400 acres of land available for future development.

Location	Size	Use
Orlando, FL	76,360 sq ft	Leased Office Space (corporate headquarters) ^(a)
Orlando, FL	9,636 sq ft	Leased Office Space (call center)
San Diego, CA	190 acres ^(b)	Leased Land
Chula Vista, CA	66 acres	Owned Water Park
Orlando, FL	279 acres	Owned Theme Park
Orlando, FL	58 acres	Owned All-inclusive Interactive Park
Orlando, FL	81 acres	Owned Water Park
Tampa, FL	56 acres	Owned Water Park
Tampa, FL	306 acres	Owned Theme Park
Dade City, FL	109 acres	Owned Breeding and Holding Facility
Langhorne, PA	55 acres	Owned Theme Park
San Antonio, TX	397 acres	Owned Theme Park
San Antonio, TX	18 acres	Owned Water Park
Williamsburg, VA	222 acres	Owned Water Park
Williamsburg, VA	422 acres	Owned Theme Park
Williamsburg, VA	5 acres	Owned Warehouse Space
Williamsburg, VA	5 acres	Owned Seasonal Worker Lodging

^(a)The lease agreement for our corporate headquarters building expires on September 30, 2019. We are currently building a new corporate headquarters building on owned land adjacent to our SeaWorld Orlando park.

^(b)Includes approximately 17 acres of water in Mission Bay Park, California.

We believe that our properties are in good operating condition and adequately serve our current business operations.

Lease Agreement with City of San Diego

Our subsidiary, Sea World LLC (f/k/a Sea World Inc.), leases approximately 190 acres from the City of San Diego, including approximately 17 acres of water in Mission Bay Park, California (the "Premises"). The current lease term commenced on July 1, 1998 and extends for 50 years or the maximum period allowed by law. Under the lease, the Premises must be used as a marine park facility and related uses. In addition, we may not operate another marine park facility within a radius of 560 miles from the City of San Diego.

The annual rent under the lease is calculated on the basis of a specified percentage of Sea World LLC's gross income from the Premises, or the minimum yearly rent, whichever is greater. The minimum yearly rent is adjusted every three years to an amount equal to 80% of the average accounting year rent actually paid for the three previous years. The current minimum yearly rent is approximately \$10.4 million, which is subject to adjustment on January 1, 2020.

Item 3. Legal Proceedings

We are subject to various allegations, claims and legal actions arising in the ordinary course of business. While it is impossible to determine with certainty the ultimate outcome of any of these proceedings, lawsuits and claims, management believes that adequate provisions have been made and insurance secured for all currently pending proceedings so that the ultimate outcomes will not have a material adverse effect on our financial position.

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Securities Class Action Lawsuits

On September 9, 2014, a purported stockholder class action lawsuit consisting of purchasers of the Company's common stock during the periods between April 18, 2013 and August 13, 2014, captioned Baker v. SeaWorld Entertainment, Inc., et al., Case No. 14-CV-02129-MMA (KSC), was filed in the U.S. District Court for the Southern District of California against the Company, the Chairman of the Company's Board, certain of its executive officers and Blackstone. On February 17, 2015, Court-appointed Lead Plaintiffs, Pensionskassen For Børne- Og Ungdomspædagoger and Arkansas Public Employees Retirement System, together with additional plaintiffs, Oklahoma City Employee Retirement System and Pembroke Pines Firefighters and Police Officers Pension Fund (collectively, "Plaintiffs"), then filed an amended complaint against the Company, the Chairman of the Company's Board, certain of its executive officers, Blackstone, and underwriters of the initial public offering and secondary public offerings. The amended complaint alleges, among other things, that the prospectus and registration statements filed contained materially false and misleading information in violation of the federal securities laws and seeks unspecified compensatory damages and other relief. Plaintiffs contend that defendants knew or were reckless in not knowing that Blackfish was impacting SeaWorld's business at the time of each public statement. On May 29, 2015, the Company and the other defendants filed motions to dismiss the amended complaint which the Court granted on March 31, 2016. On May 31, 2016, Plaintiffs filed a second amended consolidated class action complaint ("Second Amended Complaint"), which, among other things, no longer names the Company's Board or underwriters as defendants. The Court later denied a renewed motion to dismiss the Second Amended Complaint. In May 2017, Plaintiffs filed a motion for class certification which the Court granted on November 29, 2017. On December 13, 2017, Defendants filed a petition for permission to appeal the Court's class certification order with the United States Court of Appeals for the Ninth Circuit, which was denied on June 28, 2018. Discovery is currently ongoing with the trial scheduled for fall 2019. The Company believes that the class action lawsuit is without merit and intends to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

On June 14, 2018, a lawsuit captioned Highfields Capital I LP et al. v. SeaWorld Entertainment, Inc. et al., Civil Action No. 18-cv-1276L-BLM was filed in the United States District Court in the Southern District of California against the Company and certain of the Company's former and present executive officers (collectively, the "Defendants"). The plaintiffs, which are investment funds managed by a common adviser (collectively, the "Plaintiffs") allege, among other things, that the Defendants made false and misleading statements in violation of the federal securities laws regarding the impact of the documentary Blackfish on SeaWorld's business. The complaint further alleges that such statements were made to induce Plaintiffs to purchase common stock of the Company at artificially-inflated prices and that Plaintiffs suffered investment losses as a result. The Plaintiffs are seeking unspecified compensatory damages and other relief. On October 19, 2018, Defendants filed a motion for the partial dismissal of the Plaintiffs' complaint. On February 7, 2019, the Court granted Defendants' motion, with leave to amend. The Company believes that the lawsuit is without merit and intends to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

Shareholder Derivative Lawsuit

On December 8, 2014, a putative derivative lawsuit captioned Kistenmacher v. Atchison, et al., Civil Action No. 10437, was filed in the Court of Chancery in the State of Delaware against, among others, the Chairman of the Company's Board, certain of the Company's executive officers, directors and shareholders, and Blackstone. The Company is a "Nominal Defendant" in the lawsuit.

On March 30, 2015, the plaintiff filed an amended complaint against the same set of defendants. The amended complaint alleges, among other things, that the defendants breached their fiduciary duties, aided and abetted breaches of fiduciary duties, violated Florida Blue Sky laws and were unjustly enriched by (i) including materially false and misleading information in the prospectus and registration statements; and (ii) causing the Company to repurchase certain shares of its common stock from certain shareholders at an alleged artificially inflated price. The Company does not maintain any direct exposure to loss in connection with this shareholder derivative lawsuit as the lawsuit does

not assert any claims against the Company. The Company's status as a "Nominal Defendant" in the action reflects the fact that the lawsuit is maintained by the named plaintiff on behalf of the Company and that the plaintiff seeks damages on the Company's behalf. The case is currently stayed in favor of the securities class action captioned Baker v. SeaWorld Entertainment, Inc., et al. described above.

Consumer Lawsuit

On April 13, 2015, a purported class action was filed in the Superior Court of the State of California for the City and County of San Francisco against SeaWorld Parks & Entertainment, Inc., captioned Marc Anderson, et. al., v. SeaWorld Parks & Entertainment, Inc. Civil Case No. 15-cv-02172-JSW, (the "Anderson Matter"). The putative class consisted of all consumers within California who, within the past four years, purchased tickets to SeaWorld San Diego. The complaint (as amended) alleges causes of action under the California False Advertising Law, California Unfair Competition Law and California CLRA. Plaintiffs' claims are based on their allegations that the Company misrepresented the physical living conditions and care and treatment of its orcas, resulting in confusion or misunderstanding among ticket and orca plush purchasers with intent to deceive and mislead the plaintiffs and purported class members. The complaint seeks actual damages, equitable relief, attorneys' fees and costs. Based on plaintiffs' definition of the class, the amount in controversy could have exceeded \$5.0 million assuming the class became certified. The liability exposure is speculative though. On May 14, 2015, the Company removed the case to the United States District Court for the Northern District of California.

The Company filed a motion for summary judgment on October 30, 2017 which the Court granted in part and denied in part. On May 23, 2018, the plaintiffs represented to the Court that they will not file a motion for class certification. The case is no longer a class action. All three named plaintiffs continue to have claims for individual restitution in a nominal amount and injunctive relief. Trial is currently scheduled for October 2019. The Company believes that the lawsuit is without merit and intends to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of these lawsuits.

EZPay Plan Class Action Lawsuit

On December 3, 2014, a purported class action lawsuit was filed in the United States District Court for the Middle District of Florida, Tampa Division against SeaWorld Parks & Entertainment, Inc., captioned Jason Herman, Joey Kratt, and Christina Lancaster, as individuals and on behalf of all others similarly situated, v. SeaWorld Parks & Entertainment, Inc. Case no: 8:14-cv-03028-MSS-JSS. The certified class action currently consists of two claims for breach of contract, unjust enrichment and violation of federal Electronic Funds Transfer Act, 15 U.S.C. section 1693 et seq. on behalf of three individual plaintiffs as well as on behalf of a two classes: (i) individuals in the states of Florida, Texas, Virginia and California who paid for an annual pass through EZ pay in “less than twelve months,” had their passes automatically renewed and did not use the renewed passes after the first year or were not issued a full refund of payments made after the twelfth payment; and (ii) all of these same individuals who used debit cards.

In April 2018, the Company reached a preliminary agreement in principle to settle this matter for a payment of \$11.5 million, plus certain administrative costs and expenses associated with the proposed settlement. The proposed settlement is still subject to further documentation and court approval. The Company has accrued \$11.5 million related to this proposed settlement in other accrued liabilities in the accompanying consolidated balance sheet.

Other Matters

The Company is a party to various other claims and legal proceedings arising in the normal course of business. In addition, from time to time the Company is subject to audits, inspections and investigations by, or receives requests for information from, various federal and state regulatory agencies, including, but not limited to, the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (“APHIS”), the U.S. Department of Labor’s Occupational Safety and Health Administration (“OSHA”), the California Occupational Safety and Health Administration (“Cal-OSHA”), the Florida Fish & Wildlife Commission (“FWC”), the Equal Employment Opportunity Commission (“EEOC”), the Internal Revenue Service (“IRS”) the U.S. Department of Justice (“DOJ”) and the Securities and Exchange Commission (“SEC”).

In September 2018, the Company reached a settlement with the SEC relating to a previously disclosed SEC investigation. In connection with the settlement, without admitting or denying the substantive allegations in the SEC’s complaint, the Company agreed to the entry of a final judgment ordering the Company to pay a civil penalty of \$4.0 million and enjoining the Company from violation of certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and certain rules thereunder. The settlement was approved by the U.S. District Court for the Southern District of New York on September 24, 2018. The settlement is recorded in selling, general and administrative expenses for the year ended December 31, 2018 in the Company’s consolidated financial statements included elsewhere in the Annual Report on Form 10-K. On December 11, 2018, the DOJ informed the Company that it does not intend to take any action against the Company or any individuals in connection with the investigation previously disclosed by the Company concerning disclosures and public statements made by the Company and certain individuals on or before August 2014 and trading in the Company’s securities. The Company considers the DOJ matter concluded.

From time to time, various parties also bring other lawsuits against the Company. Matters where an unfavorable outcome to the Company is probable and which can be reasonably estimated are accrued. Such accruals, which are not material for any period presented, are based on information known about the matters, the Company’s estimate of the

outcomes of such matters, and the Company's experience in contesting, litigating and settling similar matters. Matters that are considered reasonably possible to result in a material loss are not accrued for, but an estimate of the possible loss or range of loss is disclosed, if such amount or range can be determined. At this time, management does not expect any such known claims, legal proceedings or regulatory matters to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company’s common stock is listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “SEAS.” As of February 22, 2019, there were approximately 325 holders of record of our outstanding common stock. This does not include persons who hold our common stock in nominee or “street name” accounts through brokers or banks.

Dividends

We currently do not pay a dividend. Future dividends, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board and will depend upon many factors including, but not limited to, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and in any preferred stock, business prospects and other factors that our Board deems relevant. See Note 20–Stockholders’ Equity in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Stock Price Performance

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of SeaWorld under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows a comparison of the five-year cumulative total stockholder return for our common stock, the Standard & Poor’s (“S&P”) 500 Index, the S&P Midcap 400 Index and the S&P 400 Movies & Entertainment Index. The graph assumes that \$100 was invested in the Company’s common stock and in each index at the market close on December 31, 2013 and assumes that all dividends were reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
SeaWorld Entertainment, Inc.	\$ 100.00	\$ 63.72	\$ 73.37	\$ 73.72	\$ 52.85	\$ 86.03
S&P 500 Index - Total Returns	\$ 100.00	\$ 113.69	\$ 115.26	\$ 129.05	\$ 157.22	\$ 150.33
S&P Midcap 400 Index	\$ 100.00	\$ 109.77	\$ 107.38	\$ 129.65	\$ 150.71	\$ 134.01
S&P 400 Movies & Entertainment Index	\$ 100.00	\$ 92.74	\$ 91.60	\$ 112.49	\$ 140.32	\$ 155.01

Note: Data complete through last fiscal year. Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2019.

Index Data: Copyright Standard and Poor’s Inc. Used with permission. All rights reserved.

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the year ended December 31, 2018.

Purchases of Equity Securities by the Issuer

The following table sets forth information with respect to shares of our common stock purchased by the Company during the periods indicated:

Period Beginning	Period Ended	Total Number of Shares Purchased ⁽¹⁾⁽²⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans
October 1, 2018	October 31, 2018	33,252	\$ 28.65	—	\$ 190,000,035
November 1, 2018	November 30, 2018	2,346,409	\$ 26.27	2,344,819	\$ 128,413,242
December 1, 2018	December 31, 2018	1,311,271	\$ 27.82	1,309,997	\$ 91,967,699
Total		3,690,932		3,654,816	\$ 91,967,699

(1) In 2014, the Board authorized the repurchase of up to \$250.0 million of the Company’s common stock (the “Share Repurchase Program”). Under the Share Repurchase Program, the Company is authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued at any time. Pursuant to the Share Repurchase Program, during the fourth quarter of 2018, the Company repurchased a total of 3,654,816 shares of common stock at a total cost of approximately \$98.0 million, leaving approximately \$92.0 million available under the Share Repurchase Program as of December 31, 2018. All of the common stock is held as treasury shares as of December 31, 2018. On February 22, 2019, the Company’s Board of Directors authorized a replenishment to the Share Repurchase Program of \$158.0 million, bringing the total amount authorized for future share repurchases to \$250.0 million. The number of shares to be purchased and the timing of purchases will be based on our trading windows and available liquidity, general business and market conditions and other factors, including legal requirements and alternative opportunities. See Note 20—Stockholders’ Equity in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information on the Share Repurchase Program.

(2) Except for the 3,654,816 shares of our common stock repurchased as described in footnote (1) above, all other purchases were made pursuant to the Company’s Omnibus Incentive Plan, under which participants may satisfy tax withholding obligations incurred upon the vesting of restricted stock by requesting the Company to withhold shares with a value equal to the amount of the withholding obligation.

Item 6. Selected Financial Data

The following tables set forth our selected historical consolidated financial and operating data as of the dates and for each of the fiscal years ended December 31, 2018, 2017, 2016, 2015 and 2014.

The selected financial data as of December 31, 2018 and 2017 and for each of the fiscal years ended December 31, 2018, 2017 and 2016 has been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data as of December 31, 2016, 2015 and 2014 and for the fiscal years ended December 31, 2015 and 2014 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

The following tables should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the notes thereto included in “Financial Statements and Supplementary Data.”

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Selected Statements of Comprehensive Income					
(Loss) Data:	(In thousands, except per share and per capita amounts)				
Net revenues:					
Admissions	\$798,793	\$765,072	\$817,793	\$846,922	\$859,426
Food, merchandise and other	573,497	498,252	526,499	524,082	518,386
Total revenues	1,372,290	1,263,324	1,344,292	1,371,004	1,377,812
Costs and expenses:					
Cost of food, merchandise and other revenues	106,604	95,914	100,643	103,980	109,024
Operating expenses (exclusive of depreciation and					
amortization shown separately below)	705,954	702,111	736,842	708,745	727,659
Selling, general and administrative expenses	229,724	228,836	238,557	214,072	189,369
Goodwill impairment charge	—	269,332	—	—	—
Restructuring and other separation costs ^(a)	17,386	5,200	9,016	2,268	14,141
Secondary offering costs	—	—	—	—	747
Depreciation and amortization	160,955	163,294	199,649	182,503	176,275
Total costs and expenses	1,220,623	1,464,687	1,284,707	1,211,568	1,217,215
Operating income (loss)	151,667	(201,363)	59,585	159,436	160,597
Other (income) expense, net	(100)	(115)	125	129	(198)
Interest expense	80,914	78,001	62,661	65,571	81,543
Loss on early extinguishment of debt and write-off					
of discounts and debt issuance costs	8,150	8,143	—	20,905	461
Income (loss) before income taxes	62,703	(287,392)	(3,201)	72,831	78,791
Provision for (benefit from) income taxes	17,915	(85,006)	9,330	23,698	28,872
Net Income (loss)	\$44,788	\$(202,386)	\$(12,531)	\$49,133	\$49,919
Per share data:					
Earnings (loss) per share, basic	\$0.52	\$(2.36)	\$(0.15)	\$0.57	\$0.57
Earnings (loss) per share, diluted	\$0.52	\$(2.36)	\$(0.15)	\$0.57	\$0.57
Cash dividends declared per share	\$—	\$—	\$0.73	\$0.84	\$0.62
Weighted average commons shares outstanding:					
Basic	86,170	85,811	84,925	85,860	87,183
Diluted	86,910	85,811	84,925	85,981	87,480
Other financial and operating data:					
Cash capital expenditures	\$179,770	\$172,517	\$160,518	\$157,302	\$154,641
Attendance	22,582	20,798	22,000	22,471	22,399
Total revenue per capita ^(b)	\$60.77	\$60.74	\$61.10	\$61.01	\$61.51

As of December 31,

	2018	2017	2016	2015	2014
Consolidated balance sheet data: (In thousands)					

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Cash and cash equivalents	\$34,073	\$33,178	\$68,958	\$18,971	\$43,906
Total assets	\$2,115,602	\$2,085,782	\$2,378,771	\$2,388,662	\$2,415,203
Total long-term debt, net	\$1,540,184	\$1,542,316	\$1,582,782	\$1,580,743	\$1,583,450
Total equity	\$265,194	\$287,466	\$461,215	\$504,120	\$579,535

(a) For the year ended December 31, 2016, \$2.6 million of separation costs have been reclassified to restructuring and other separation costs to conform with the 2018 presentation.

(b) Calculated as total revenue divided by total attendance.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with "Selected Financial Data" and the historical consolidated financial statements and the notes thereto included in "Financial Statements and Supplementary Data". This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

Business Overview

We are a leading theme park and entertainment company providing experiences that matter and inspiring guests to protect animals and the wild wonders of our world. We own or license a portfolio of recognized brands, including SeaWorld, Busch Gardens, Aquatica, Discovery Cove, Sesame Place and Sea Rescue. Over our more than 50-year history, we have developed a diversified portfolio of 12 highly differentiated theme parks and water parks that are grouped in key markets across the United States. Many of our parks showcase our one-of-a-kind zoological collection and all of our parks feature a diverse array of thrill and family rides, shows, educational demonstrations and/or other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.

Principal Factors and Trends Affecting Our Results of Operations

Revenues

Our revenues are driven primarily by attendance in our theme parks and the level of per capita spending for admission and per capita spending for culinary, merchandise and other in-park products. We define attendance as the number of guest visits. Attendance drives admissions revenue as well as total in-park spending. Admissions revenue primarily consists of single-day tickets, annual or season passes (collectively referred to as season passes) or other multi-day or multi-park admission products.

Total revenue per capita, defined as total revenue divided by total attendance, consists of admission per capita and in-park per capita spending:

• **Admission per capita.** We calculate admission per capita as total admissions revenue divided by total attendance. Admission per capita is primarily driven by ticket pricing, the admissions product mix and the park attendance mix, among other factors. The admissions product mix, also referred to as the visitation mix, is defined as the mix of attendance by ticket category such as single day, multi-day, annual passes or complimentary tickets and the park attendance mix is defined as the mix of theme parks visited. The mix of theme parks visited can impact admission per capita based on the theme park's respective pricing which on average is lower for our water parks compared to our other theme parks.

• **In-Park Per Capita Spending.** We calculate in-park per capita spending as total food, merchandise and other revenue divided by total attendance. Food, merchandise and other revenue primarily consists of culinary, merchandise and other in-park products and also includes other miscellaneous revenue not necessarily generated in our parks, which is not significant in the periods presented, including revenue related to our international agreements. In-park per capita spending is primarily driven by pricing changes, penetration levels (percentage of guests purchasing), new product offerings, the mix of guests (such as local, domestic or international guests) and the mix of in-park spending, among

other factors.

See further discussion in the “Results of Operations” section which follows. For other factors affecting our revenues, see the “Risk Factors” section of this Annual Report on Form 10-K.

Attendance

The level of attendance in our theme parks is a function of many factors, including affordability, the opening of new attractions and shows, competitive offerings, weather, fluctuations in foreign exchange rates and global and regional economic conditions, travel patterns of both our domestic and international guests, marketing and sales efforts, awareness of park offerings, consumer confidence and external perceptions of our brands and reputation, among other factors beyond our control. Attendance patterns have significant seasonality, driven by the timing of holidays, school vacations and weather conditions; in addition, seven of our theme parks are seasonal and only open for part of the year.

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We believe attendance in recent years was impacted by a variety of factors at some of our parks, including the external perceptions of our brands and reputation, which also impacted relationships with some of our business partners. Given current attendance results, we do not believe these factors have had a significant impact on our current 2018 attendance trends; however, we continuously monitor our external perceptions, making strategic marketing and sales adjustments as necessary, to address these or any other items that could impact attendance.

Costs and Expenses

The principal costs of our operations are employee wages and benefits, advertising, maintenance, animal care, utilities and insurance. Factors that affect our costs and expenses include competitive wage pressures including minimum wage legislation, commodity prices, costs for construction, repairs and maintenance, other inflationary pressures and attendance levels, among other factors.

We continue to actively work to find additional cost savings opportunities. As part of these efforts, on August 7, 2018, we implemented a new restructuring program (the “2018 Restructuring Program”) focused on reducing costs, improving operating margins and streamlining our management structure to create efficiencies and better align with our strategic business objectives. As a result, we recorded \$5.5 million in pre-tax restructuring charges related to this program in the year ended December 31, 2018 which primarily relates to severance and other expenses incurred in connection with the 2018 Restructuring Program. Restructuring and other separation costs for the year ended December 31, 2018, also includes severance and other employment expenses for certain executives and employees who separated from the Company. See Note 21—Restructuring Programs and Other Separation Costs to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

We make annual investments to support and improve our existing theme park facilities and attractions. Maintaining and improving our theme parks, as well as opening new attractions, is critical to remain competitive, grow revenue, and increase our guests’ length of stay. For further discussion of our new attractions for 2019, see “Capital Improvements” in the “Business” section included elsewhere in this Annual Report on Form 10-K.

For other factors affecting our costs and expenses, see the “Risk Factors” section of this Annual Report on Form 10-K, as such risk factors may be updated from time to time in our periodic filings with the SEC.

Seasonality

The theme park industry is seasonal in nature. Historically, we generate the highest revenues in the second and third quarters of each year, in part because seven of our theme parks are only open for a portion of the year. Approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. The percent mix of revenues by quarter is relatively constant each year, but revenues can shift between the first and second quarters due to the timing of Easter and spring break holidays and between the first and fourth quarters due to the timing of holiday breaks around Christmas and New Year. Even for our five theme parks open year-round, attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions.

Regulatory Developments

See the discussion of relevant regulatory developments under “Recent Regulatory Developments” in the “Business” section included elsewhere in this Annual Report on Form 10-K. For a discussion of certain risks associated with federal and state regulations governing the treatment of animals, see the “Risk Factors” section included elsewhere in this Annual Report on Form 10-K, including “Risks Related to Our Business and Our Industry—We are subject to complex federal and state regulations governing the treatment of animals, which can change, and to claims and lawsuits by activist groups before government regulators and in the courts.”

Recent Developments

Leadership Changes

On February 5, 2019, we announced that our Board of Directors (the “Board”) appointed Gustavo (“Gus”) Antorcha to serve as Chief Executive Officer (“CEO”) of the Company. In addition, the Board increased the size of the Board from eight to nine directors and elected Mr. Antorcha to serve as a director. Mr. Antorcha assumed his CEO role and director role, in each case, effective on February 18, 2019. In connection with the appointment of Mr. Antorcha as CEO, the Board appointed John T. Reilly, who will step down from the position of Interim CEO, to serve as Chief Operating Officer (“COO”) of the Company, effective at such time. Additionally, we announced that Yoshikazu Maruyama would resume his role as non-executive Chairman of the Board, effective February 18, 2019.

On February 26, 2018, Joel K. Manby (the “Former CEO”) stepped down from his position as President and Chief Executive Officer of the Company and resigned as a member of our Board of Directors. In connection with his departure, the Former CEO received severance-related benefits in accordance with his employment agreement. Certain other executives who separated from the Company during 2018 also received severance-related benefits in accordance with the terms of their respective employment agreements or relevant company plan, as applicable. These expenses are included in restructuring and other separation costs for the year ended December 31, 2018 in the accompanying consolidated statements of comprehensive income (loss) included elsewhere in this Annual Report on Form 10-K.

Additionally, certain equity awards were accelerated to vest in connection with the departure of specific executives as required by their respective employment agreements. As a result, we recorded incremental non-cash equity compensation expense related to these awards, which is included in selling, general and administrative expenses in the year ended December 31, 2018 in the accompanying consolidated statements of comprehensive income (loss). See Note 21—Restructuring Programs and Other Separation Costs and Note 19—Equity-Based Compensation in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

U.S. Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the “Tax Act”), was enacted on December 22, 2017, and contains a number of changes to U.S. federal tax laws. The Tax Act requires complex computations that were not previously provided for under U.S. tax law and significantly revised the U.S. tax code by, among other changes, lowering the corporate income tax rate from 35% to 21% effective January 1, 2018, and imposing limitations on the deductibility of interest. As of December 31, 2018, the Company has calculated the impact of the Tax Act in accordance with its current interpretation and available guidance, particularly as it relates to the future deductibility of executive compensation items and state conformity to the Tax Act. See discussion in Note 14—Income Taxes in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Results of Operations

The following discussion provides an analysis of our consolidated financial data for the years ended December 31, 2018 and 2017. This data should be read in conjunction with our consolidated financial statements and the notes thereto included in “Financial Statements and Supplementary Data” included elsewhere in this Annual Report on Form 10-K.

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Comparison of the Years Ended December 31, 2018 and 2017

The following table presents key operating and financial information for the years ended December 31, 2018 and 2017:

	For the Year Ended		Variance	
	December 31, 2018	December 31, 2017	\$	%
(In thousands, except per capita data and %)				
Selected Statements of Comprehensive Income (Loss) Data:				
Net revenues:				
Admissions	\$798,793	\$765,072	\$33,721	4.4 %
Food, merchandise and other	573,497	498,252	75,245	15.1 %
Total revenues	1,372,290			