

SeaWorld Entertainment, Inc.
Form 10-Q
May 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 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)

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

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

Indicate by check mark 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 (Do not check if a smaller reporting company) 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 Exchange Act). Yes No

The registrant had outstanding 88,535,512 shares of Common Stock, par value \$0.01 per share as of May 3, 2018.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the “Annual Report on Form 10-K”), filed with the Securities and Exchange Commission (the “SEC”), and under “Part II, Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q, as such risk factors may be updated from time to time in our periodic filings with the SEC, including this report, and are accessible on the SEC’s website at www.sec.gov, 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;
- 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 such as Ebola, Zika, Influenza H1N1, avian bird flu, SARS and MERS;
- incidents or adverse publicity concerning our theme parks;
- a decline in discretionary consumer spending or consumer confidence;
- significant portion of revenues 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;
- 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;
- inability to meet workforce needs;

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;

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

• inadequate insurance coverage;

• inability to purchase or contract with third party manufacturers for rides and attractions and the impact of the costs associated with such activities;

• inability to realize the full value of our intangible assets;

• 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 or restrictions in obtaining permits;

• policies of the U.S. president and his administration;

• 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;

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

• 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 Quarterly Report on Form 10-Q apply only as of the date of this Quarterly Report on Form 10-Q or as of the date they were made or as otherwise specified herein 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.

All references to "we," "us," "our," "Company" or "SeaWorld" in this Quarterly Report on Form 10-Q mean SeaWorld Entertainment, Inc., its subsidiaries and affiliates.

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 Quarterly Report on Form 10-Q.

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 our license agreement with Sesame Workshop.

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

PART I — FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$39,343	\$33,178
Accounts receivable, net	56,431	38,400
Inventories	37,648	30,887
Prepaid expenses and other current assets	19,940	16,310
Total current assets	153,362	118,775
Property and equipment, at cost	3,000,208	2,952,074
Accumulated depreciation	(1,308,780)	(1,276,833)
Property and equipment, net	1,691,428	1,675,241
Goodwill	66,278	66,278
Trade names/trademarks, net	159,436	159,802
Other intangible assets, net	14,682	14,896
Deferred tax assets, net	53,864	32,820
Other assets	19,183	17,970
Total assets	\$2,158,233	\$2,085,782
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$125,231	\$100,573
Current maturities of long-term debt	78,707	38,707
Accrued salaries, wages and benefits	20,283	14,554
Deferred revenue	138,805	79,554
Dividends payable	136	470
Other accrued liabilities	25,491	19,612
Total current liabilities	388,653	253,470
Long-term debt, net of debt issuance costs of \$8,341 and \$9,045 as of		
March 31, 2018 and December 31, 2017, respectively	1,498,839	1,503,609
Other liabilities	32,663	41,237
Total liabilities	1,920,155	1,798,316
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value—authorized, 100,000,000 shares, no shares issued		
or outstanding at March 31, 2018 and December 31, 2017	—	—
	929	926

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Common stock, \$0.01 par value—authorized, 1,000,000,000 shares; 92,889,547 and 92,637,403 shares issued at March 31, 2018 and December 31, 2017, respectively

Additional paid-in capital	647,286	641,324
Accumulated other comprehensive income (loss)	1,321	(5,076)
Accumulated deficit	(256,587)	(194,837)
Treasury stock, at cost (6,519,773 shares at March 31, 2018 and December 31, 2017)	(154,871)	(154,871)
Total stockholders' equity	238,078	287,466
Total liabilities and stockholders' equity	\$2,158,233	\$2,085,782

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE LOSS

(In thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2018	2017
Net revenues:		
Admissions	\$ 130,003	\$ 115,089
Food, merchandise and other	87,163	71,268
Total revenues	217,166	186,357
Costs and expenses:		
Cost of food, merchandise and other revenues	17,051	14,483
Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of \$1,563 and \$936 for the three months ended March 31, 2018 and 2017, respectively)	155,473	157,324
Selling, general and administrative (includes equity compensation of \$5,982 and \$3,178 for the three months ended March 31, 2018 and 2017, respectively)	63,524	52,418
Restructuring and other separation costs	8,835	—
Depreciation and amortization	38,430	38,867
Total costs and expenses	283,313	263,092
Operating loss	(66,147)	(76,735)
Other expense (income), net	63	(86)
Interest expense	19,913	18,261
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs	—	8,020
Loss before income taxes	(86,123)	(102,930)
Benefit from income taxes	(23,279)	(41,801)
Net loss	\$(62,844)	\$(61,129)
Other comprehensive income:		
Unrealized gain on derivatives, net of tax	7,491	2,404
Comprehensive loss	\$(55,353)	\$(58,725)
Loss per share:		
Net loss per share, basic	\$(0.73)	\$(0.72)
Net loss per share, diluted	\$(0.73)	\$(0.72)
Weighted average common shares outstanding:		
Basic	86,209	85,373
Diluted	86,209	85,373

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(In thousands, except per share and share amounts)

	Shares of Common Stock Issued	Additional Common Paid-In		Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income		Treasury Stock, at Cost	Total Stockholders' Equity
		Stock	Capital					
Balance at December 31, 2017	92,637,403	\$ 926	\$ 641,324	\$(194,837)	\$ (5,076)	\$(154,871)	\$ 287,466	
Impact of adoption of ASU 2018-02	—	—	—	1,094	(1,094)	—	—	
Equity-based compensation	—	—	7,545	—	—	—	7,545	
Unrealized gain on derivatives, net of tax expense of \$2,774	—	—	—	—	7,491	—	7,491	
Vesting of restricted shares	360,092	4	(4)	—	—	—	—	
Shares withheld for tax withholdings	(108,432)	(1)	(1,633)	—	—	—	(1,634)	
Exercise of stock options	484	—	7	—	—	—	7	
Adjustments to previous dividend declarations	—	—	47	—	—	—	47	
Net loss	—	—	—	(62,844)	—	—	(62,844)	
Balance at March 31, 2018	92,889,547	\$ 929	\$ 647,286	\$(256,587)	\$ 1,321	\$(154,871)	\$ 238,078	

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Three Months Ended March 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net loss	\$(62,844)	\$(61,129)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	38,430	38,867
Amortization of debt issuance costs and discounts	1,157	1,324
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs	—	8,020
Loss on sale or disposal of assets	396	1,739
Deferred benefit from income tax	(23,817)	(41,801)
Equity-based compensation	7,545	4,114
Changes in assets and liabilities:		
Accounts receivable	(21,218)	(5,055)
Inventories	(6,761)	(4,812)
Prepaid expenses and other current assets	(3,141)	(4,046)
Accounts payable and accrued expenses	16,540	27,198
Accrued salaries, wages and benefits	5,729	(3,332)
Deferred revenue	62,162	54,875
Other accrued liabilities	5,879	(12,087)
Other assets and liabilities	260	1,817
Net cash provided by operating activities	20,317	5,692
Cash Flows From Investing Activities:		
Capital expenditures	(45,822)	(56,853)
Net cash used in investing activities	(45,822)	(56,853)
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	—	998,306
Repayments of long-term debt	(5,927)	(1,006,336)
Proceeds from draw on revolving credit facility	45,000	60,649
Repayments of revolving credit facility	(5,000)	(20,000)
Debt issuance costs	—	(15,390)
Dividends paid to stockholders	(287)	(110)
Payment of tax withholdings on equity-based compensation through shares withheld	(1,634)	(749)
Exercise of stock options	7	—
Net cash provided by financing activities	32,159	16,370
Change in Cash and Cash Equivalents, including Restricted Cash	6,654	(34,791)
Cash and Cash Equivalents, including Restricted Cash—Beginning of period	33,997	69,378
Cash and Cash Equivalents, including Restricted Cash—End of period	\$40,651	\$34,587
Supplemental Disclosures of Noncash Investing and Financing Activities		
Capital expenditures in accounts payable	\$32,744	\$12,237
Dividends declared, but unpaid	\$136	\$815

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Description of the Business

SeaWorld Entertainment, Inc., through its wholly-owned subsidiary, SeaWorld Parks & Entertainment, Inc. (“SEA”) (collectively, the “Company”), owns and operates twelve theme parks within the United States. The Company operates SeaWorld theme parks in Orlando, Florida; San Antonio, Texas; and San Diego, California, and Busch Gardens theme parks in Tampa, Florida, and Williamsburg, Virginia. The Company operates water park attractions in Orlando, Florida (Aquatica); San Antonio, Texas (Aquatica); San Diego, California (Aquatica); Tampa, Florida (Adventure Island); and Williamsburg, Virginia (Water Country USA). The Company also operates a reservations-only theme park in Orlando, Florida (Discovery Cove) and a seasonal park in Langhorne, Pennsylvania (Sesame Place).

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2017 included in the Company’s Annual Report on Form 10-K filed with the SEC. The unaudited condensed consolidated balance sheet as of December 31, 2017 was derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K.

In the opinion of management, such unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations for the year ending December 31, 2018 or any future period due to the seasonal nature of the Company’s operations. Based upon historical results, the Company typically generates its highest revenues in the second and third quarters of each year and incurs a net loss in the first and fourth quarters, in part because seven of its theme parks are only open for a portion of the year.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including SEA. All intercompany accounts have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions include, but are not limited to, the accounting for self-insurance, deferred tax assets, deferred revenue, equity compensation and the

valuation of goodwill and other indefinite-lived intangible assets. Actual results could differ from those estimates.

Segment Reporting

The Company maintains discrete financial information for each of its twelve theme parks, which is used by the Chief Operating Decision Maker (“CODM”), identified as the Chief Executive Officer, as a basis for allocating resources. Each theme park has been identified as an operating segment and meets the criteria for aggregation due to similar economic characteristics. In addition, all of the theme parks provide similar products and services and share similar processes for delivering services. The theme parks have a high degree of similarity in the workforces and target similar consumer groups. Accordingly, based on these economic and operational similarities and the way the CODM monitors and makes decisions affecting the operations, the Company has concluded that its operating segments may be aggregated and that it has one reportable segment.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

Restricted Cash

Restricted cash was \$1,308 and \$819 as of March 31, 2018 and December 31, 2017, respectively, and is recorded in other current assets in the accompanying unaudited condensed consolidated balance sheets. Restricted cash consists primarily of funds received from strategic partners for use in approved marketing and promotional activities.

	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$39,343	\$ 33,178
Restricted cash, included in other current assets	1,308	819
Total cash, cash equivalents and restricted cash	\$40,651	\$ 33,997

Revenue Recognition

Effective January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”), Topic 606, Revenue from Contracts with Customers, using the modified retrospective transition method. The adoption of ASC 606 did not have a material impact on the Company’s existing or new contracts as of January 1, 2018; therefore, no cumulative adjustment to beginning retained earnings was required as a result of adoption.

ASC 606 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of ASC 606, the Company performs the following five steps: (i) identify the contracts with customers; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as the company satisfies the performance obligations. ASC 606 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. Total revenues in the accompanying unaudited condensed consolidated statements of comprehensive loss are presented net of sales-related taxes collected from guests and remitted or payable to government taxing authorities.

Admissions Revenue

Admissions revenue primarily consists of single-day tickets, annual or season passes or other multi-day or multi-park admission products. As allowed by the practical expedient available to public companies under ASC 606, admission products with similar characteristics are analyzed using a portfolio approach for each separate park as the Company expects that the effects on the consolidated financial statements of applying this guidance to the portfolio does not differ materially from applying the guidance to individual contracts within the portfolio. For single-day tickets, the Company recognizes revenue at a point in time, upon admission to the park. Annual passes, season passes or other multi-day or multi-park passes allow guests access to specific parks over a specified time period. For these pass and multi-use products, revenue is deferred and recognized over the terms of the admission product based on estimated redemption rates for similar products and is adjusted periodically. The Company estimates a redemption rate using historical and forecasted growth rates and attendance trends by park for similar products. Attendance trends factor in seasonality factors and are adjusted based on actual trends periodically. Revenue is recognized on a pro-rata basis

based on the estimated allocated selling price of the admission product. For multi-day admission products, revenue is allocated based on the number of visits included in the pass and recognized ratably based on each admission into the theme park.

The Company has also entered into agreements with certain external theme park, zoo and other attraction operators to jointly market and sell single and multi-use admission products. These joint products allow admission to both a Company park and an external park, zoo or other attraction. The agreements with the external partners specify the allocation of revenue to the Company from any jointly sold products. Whether the Company or the external partner sells the product, the Company's portion of revenue is deferred until the first time the product is redeemed at one of its parks and recognized over its related use in a manner consistent with the Company's own admission products.

Additionally, the Company barter theme park admission products and sponsorship opportunities for advertising, employee recognition awards, and various other services. The fair value of the products or services is recognized into admissions revenue and related expenses at the time of the exchange and approximates the estimated fair value first of the goods or services provided then received, whichever is more readily determinable. For the three months ended March 31, 2018, approximately \$2,900 was included within admissions revenue with an offset to either selling, general and administrative expenses or operating expenses in the accompanying unaudited condensed consolidated statements of comprehensive loss related to bartered ticket transactions.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

Deferred revenue includes revenue associated with pass products and contract liability balances related to licensing and international agreements collected in advance of the Company's performance and expected to be recognized in future periods. At March 31, 2018, \$10,606 is included in other liabilities in the accompanying unaudited condensed consolidated balance sheets related to the long-term portion of deferred revenue, of which \$10,000 relates to the Company's international agreement, as discussed in the following section, which the Company expects to recognize over the term of the respective license agreement beginning when substantially all of the services have been performed, which is expected to be upon opening. The following table reflects the changes in deferred revenue for the three months ended March 31, 2018 and 2017:

	2018	2017
Deferred revenue, including long-term portion as of January 1,	\$90,437	\$89,400
Additions	197,227	173,477
Revenue recognized during the period	(137,509)	(117,690)
Other adjustments	(744)	(1,451)
Deferred revenue, including long-term portion as of March 31,	149,411	143,736
Less: Deferred revenue, long-term portion, included in other liabilities	10,606	10,494
Deferred revenue, short-term portion as of March 31,	\$138,805	\$133,242

In accordance with the practical expedient available to public companies under ASC 606, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed. Additionally, the Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, general and administrative expenses.

Food, Merchandise and Other Revenue

Food, merchandise and other revenue primarily consists of culinary, merchandise and other in-park experiences and also includes other miscellaneous revenue which is not significant in the periods presented, including revenue related to the Company's international agreements as discussed below. The Company recognizes revenue for food, merchandise and other in-park revenue when the related products or services are received by the guests. Certain admission products may also include bundled products at the time of purchase, such as culinary or merchandise items. The Company conducts an analysis of bundled products to identify separate distinct performance obligations that are material in the context of the contract. For those products that are determined to be distinct performance obligations and material in the context of the contract, the Company allocates a portion of the transaction price to each distinct performance obligation using each performance obligation's standalone price. If the bundled product is related to a pass product and offered over time, revenue will be recognized over time accordingly.

International Agreements

In March 2017, the Company entered into a Park Exclusivity and Concept Design Agreement (the “ECDA”) and a Center Concept and Preliminary Design Support Agreement (the “CDSA”) (collectively, the “ZHG Agreements”) with Zhonghong Holding, Co. Ltd. (“Zhonghong Holding”), an affiliate of ZHG Group, a related party, to provide design, support and advisory services for various potential projects and grant exclusive rights in China, Taiwan, Hong Kong and Macau (the “Territory”). Under the terms of the ECDA, the Company will work with Zhonghong Holding and a top theme park design company, to create and produce concept designs and development analysis for theme parks, water parks and interactive parks in the Territory. Under the terms of the CDSA, the Company will provide guidance, support, input, and expertise relating to the initial strategic planning, concept and preliminary design of Zhonghong Holding’s family entertainment and other similar centers. The Company analyzed the ZHG Agreements under ASC 606 and determined that the agreements should be combined for accounting purposes and the performance obligations under the agreements should be combined into a single performance obligation which meets the criteria to be recognized over time. Additionally, the services related to the agreements are provided ratably over the contract term, as such, the Company recognizes revenue under the ZHG Agreements on a straight line basis over the contractual term of the agreement including approximately \$1,300 in the three months ended March 31, 2018, which is included in food, merchandise and other revenue in the accompanying unaudited condensed consolidated statements of comprehensive loss.

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The Company has also received \$10,000 in deferred revenue recorded in other liabilities related to a nonrefundable payment received from a partner in connection with a potential project in the Middle East (the “Middle East Project”) to provide certain services pertaining to the planning and design of the Middle East Project, with funding received expected to offset internal expenses. Approximately \$3,300 of costs incurred related to the Middle East Project are recorded in other assets in the accompanying unaudited condensed consolidated balance sheet as of March 31, 2018. The Company has recognized an asset for the costs incurred to fulfill the contract as the costs are specifically identifiable, enhance resources that will be used to satisfy performance obligations in the future and are expected to be recovered. The related deferred revenue and expense will begin to be recognized when substantially all of the services have been performed. The Company continually monitors performance on the contract and will make adjustments, if necessary. 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 stages.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The Company reviews new accounting pronouncements as they are issued or proposed by the Financial Accounting Standards Board (“FASB”).

Recently Implemented Accounting Standards

In February 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU gives companies the option to reclassify to retained earnings any tax effects related to items in accumulated other comprehensive income or loss that are stranded due to the Tax Cuts and Jobs Act (the “Tax Act”). Companies are able to early adopt this ASU in any interim or annual period for which financial statements have not yet been issued and apply it either (1) in the period of adoption or (2) retrospectively to each period in which the income tax effects of the Tax Act related to items in accumulated other comprehensive income or loss are recognized. When adopted, the ASU requires all entities to make new disclosures, regardless of whether they elect to reclassify stranded amounts. Companies are required to disclose whether or not they elected to reclassify the tax effects related to the Tax Act as well as their policy for releasing income tax effects from accumulated other comprehensive income or loss. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual reporting periods with early adoption permitted. On January 1, 2018, the Company elected to early adopt the ASU and applied the amendments in the period of adoption. As a result, the Company reclassified \$1,094 of “stranded” tax effects of the Tax Act from accumulated other comprehensive (loss) income to accumulated deficit in the accompanying unaudited condensed consolidated balance sheet and the accompanying unaudited condensed consolidated statements of changes in stockholders’ equity.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting. This ASU was issued to provide clarity and reduce diversity in practice regarding the application of guidance on the modification of equity awards. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual reporting periods with early adoption permitted and should be applied prospectively to an award modified on or after the adoption date. The Company adopted this standard on January 1, 2018. The adoption of ASU 2017-17 did not have a material impact on the Company’s

unaudited condensed consolidated financial statements as the Company historically has accounted for all modifications in accordance with Topic 718 and has not been subject to the exception described under this ASU.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash—a Consensus of the FASB Emerging Issues Task Force. This ASU requires companies to include restricted cash balances with cash and cash equivalent balances in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual reporting periods with early adoption permitted, and should be applied using a retrospective transition method. The Company adopted this standard on January 1, 2018 using the retrospective transition method. The adoption of ASU 2016-18 decreased net cash used in investing activities and increased cash, cash equivalents and restricted cash by \$950 when compared to the previously reported amounts in the accompanying unaudited condensed consolidated statement of cash flows for the three months ended March 31, 2017.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 simplifies the income tax accounting of intra-entity transfers of an asset other than inventory by requiring an entity to recognize the income tax effect when the transfer occurs. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods and early adoption is permitted. The Company adopted this standard on January 1, 2018. The adoption of ASU 2016-16 did not have a material impact on the Company's unaudited condensed consolidated financial statements.

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In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. This ASU provides guidance on the presentation and classification of eight specific cash flow issues that previously resulted in diversity in practice. The ASU is effective for annual periods beginning after December 15, 2017 and interim periods therein. The Company adopted this standard on January 1, 2018 using a retrospective transition method to each period presented. The adoption of ASU 2016-15 did not have a material impact on the Company's unaudited condensed consolidated statements of cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. Under this ASU and subsequently issued amendments, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration expected to be received. Entities may use a full retrospective approach or report the cumulative effect as of the date of adoption. The Company adopted this standard and subsequently issued amendments on January 1, 2018, using the modified retrospective transition method. The adoption of ASU 2014-09 and its subsequently issued amendments did not have a material impact on the Company's existing or new contracts as of January 1, 2018; therefore, no cumulative adjustment to beginning retained earnings was required as a result of adoption. See Note 1 "Description of the Business and Basis of Presentation" subtopic "Revenue Recognition" for additional disclosure.

Recently Issued Accounting Standards

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815)—Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 aims to improve reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and simplify the application of the hedge accounting guidance. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within those annual reporting periods with early adoption permitted. For cash flow and net investment hedges existing as of the adoption date, the guidance requires a cumulative-effect adjustment as of the beginning of the fiscal year that an entity adopts the amendments; however, the presentation and disclosure guidance should be applied prospectively. The Company is currently assessing the impact of this ASU on its unaudited condensed consolidated financial statements and does not expect a material impact. However, the new ASU may impact the Company's presentation and disclosures.

On February 25, 2016, the FASB issued ASU 2016-02, Leases. This ASU establishes a new lease accounting model that, for many companies, eliminates the concept of operating leases and requires entities to record lease assets and lease liabilities on the balance sheet for certain types of leases. Under this ASU, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable financial statement users to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU will be effective for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption will be permitted for all entities. The provisions of the ASU are to be applied using a modified retrospective approach. The Company has not yet adopted this ASU and is currently evaluating the impact of this ASU on its unaudited condensed consolidated financial statements. Upon adoption of this ASU, the Company expects its San Diego land lease, among other operating leases, to be recorded as a right-of-use asset with a corresponding lease liability.

3. LOSS PER SHARE

Loss per share is computed as follows (in thousands, except per share data):

	For the Three Months Ended March 31,					
	2018			2017		
			Per			Per
			Share			Share
	Net Loss	Shares	Amount	Net Loss	Shares	Amount
Basic loss per share	\$(62,844)	86,209	\$ (0.73)	\$(61,129)	85,373	\$ (0.72)
Effect of dilutive incentive-based awards		—			—	
Diluted loss per share	\$(62,844)	86,209	\$ (0.73)	\$(61,129)	85,373	\$ (0.72)

In accordance with the Earnings Per Share Topic of the ASC, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period (excluding treasury stock and unvested restricted stock). The shares of unvested restricted stock are eligible to receive dividends; however, dividend rights will be forfeited if the award does not vest. Accordingly, only vested shares of outstanding restricted stock are included in the calculation of basic earnings per share. The weighted average number of repurchased shares during the period, if any, which are held as treasury stock, are excluded from shares of common stock outstanding.

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Diluted loss per share is determined using the treasury stock method based on the dilutive effect of unvested restricted stock and certain shares of common stock that are issuable upon exercise of stock options. There were approximately 4,495,000 and 4,920,000 potentially dilutive shares excluded from the computation of diluted loss per share during the three months ended March 31, 2018 and 2017, respectively, as their effect would have been anti-dilutive due to the Company's net loss in those periods. The Company's outstanding performance-vesting restricted awards of approximately 2,730,000 and 3,140,000 as of March 31, 2018 and 2017, respectively, are considered contingently issuable shares and are excluded from the calculation of diluted loss per share until the performance measure criteria is met as of the end of the reporting period.

4. INCOME TAXES

Income tax expense or benefit is recognized based on the Company's estimated annual effective tax rate which is based upon the tax rate expected for the full calendar year applied to the pretax income or loss of the interim period. The Company's consolidated effective tax rate for the three months ended March 31, 2018 was 27.0% and differs from the recently enacted statutory federal income tax rate of 21.0% primarily due to state income taxes and other permanent items. The Company's consolidated effective tax rate for the three months ended March 31, 2017 was 40.6% and differs from the previously effective statutory federal income tax rate of 35.0% primarily due to state income taxes and other permanent items.

The Company has determined that there are no positions currently taken that would rise to a level requiring an amount to be recorded or disclosed as an unrecognized tax benefit. If such positions do arise, it is the Company's intent that any interest or penalty amount related to such positions will be recorded as a component of the income tax provision (benefit) in the applicable period.

On December 22, 2017, the United States enacted the Tax Act which makes significant modifications to the provisions of the Internal Revenue Code, including but not limited to a corporate tax rate decrease from 35% to 21% effective January 1, 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. As such, these assumptions may change as further clarification and guidance is provided by taxing authorities.

5. OTHER ACCRUED LIABILITIES

Other accrued liabilities at March 31, 2018 and December 31, 2017, consisted of the following:

	March 31, 2018	December 31, 2017
Accrued property taxes	\$ 2,827	\$ 1,280
Accrued interest	839	6,078
Self-insurance reserve	7,084	7,084

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Other	14,741	5,170
Total other accrued liabilities	\$ 25,491	\$ 19,612

As of March 31, 2018, other liabilities above include \$11,500 related to a proposed legal settlement (see further discussion in Note 10—Commitments and Contingencies). As of December 31, 2017, accrued interest above includes \$5,050 relating to the Company's fourth quarter 2017 interest payable on its Term B-2 Loans, which was paid on January 5, 2018.

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6. LONG-TERM DEBT

Long-term debt as of March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Term B-5 Loans (effective interest rate of 5.30% and 4.69% at March 31, 2018 and December 31, 2017, respectively)	\$988,323	\$990,819
Term B-2 Loans (effective interest rate of 4.55% and 3.94% at March 31, 2018 and December 31, 2017, respectively)	550,796	554,227
Revolving credit facility (effective interest rate of 4.49% and 4.24% at March 31, 2018 and December 31, 2017, respectively)	55,000	15,000
Total long-term debt	1,594,119	1,560,046
Less discounts	(8,232)	(8,685)
Less debt issuance costs	(8,341)	(9,045)
Less current maturities	(78,707)	(38,707)
Total long-term debt, net	\$1,498,839	\$1,503,609

SEA is the borrower under the senior secured credit facilities, as amended pursuant to a credit agreement (the "Existing 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"). On March 31, 2017, SEA entered into a refinancing amendment, Amendment No. 8 (the "Amendment"), to its Existing Credit Agreement. In connection with the Amendment, SEA borrowed \$998,306 of additional term loans (the "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-3 loans (the "Term B-3 Loans"), with a principal amount equal to \$244,713 and a portion of the outstanding principal of the Term B-2 loans (the "Term B-2 Loans"), with a principal amount equal to \$753,593, and pay other fees, costs and expenses in connection with the Amendment and related transactions. Additionally, pursuant to the Amendment, SEA terminated the existing revolving credit commitments (the "Terminated Revolving Credit Facility") and replaced them with a new tranche with an aggregate commitment amount of \$210,000 (the "Revolving Credit Facility").

In connection with the issuance of the Term B-5 Loans, SEA recorded a discount of \$4,992 and debt issuance costs of \$44 during the three months ended March 31, 2017. Additionally, SEA wrote-off debt issuance costs of \$7,987, which is included in loss on early extinguishment of debt and write-off of discounts and debt issuances costs in the accompanying unaudited condensed consolidated statements of comprehensive loss during the three months ended March 31, 2017. Such loss on early extinguishment of debt and write-off of discounts and debt issuance costs also includes \$33 related to a write-off of discounts and debt issuance costs resulting from a mandatory prepayment of debt on March 30, 2017.

Debt issuance costs and discounts are amortized to interest expense using the effective interest method over the term of the related debt and are included in long-term debt, net, in the accompanying unaudited condensed consolidated balance sheets. Unamortized debt issuance costs and discounts for the Term B-5 Loans, Term B-2 Loans and

Revolving Credit Facility were \$11,413, \$2,939 and \$2,221, respectively, at March 31, 2018. Unamortized debt issuance costs and discounts for the Term B-5 Loans, Term B-2 Loans and Revolving Credit Facility were \$11,904, \$3,302 and \$2,524, respectively, at December 31, 2017.

As of March 31, 2018, SEA was in compliance with all covenants contained in the documents governing the Senior Secured Credit Facilities.

Senior Secured Credit Facilities

As of March 31, 2018, the Senior Secured Credit Facilities consisted of \$988,323 in Term B-5 Loans which will mature on March 31, 2024, \$550,796 in Term B-2 Loans, which will mature on May 14, 2020 and the \$210,000 Revolving Credit Facility, of which \$55,000 was outstanding as of March 31, 2018. The Revolving Credit Facility will mature on the earlier of (a) March 31, 2022 and (b) the 91st day prior to the earlier of (1) the maturity of the Term B-2 Loans with an aggregate principal amount greater than \$50,000 and (2) the maturity date of any indebtedness incurred to refinance the Term B-2 Loans with an aggregate principal amount greater than \$50,000. The outstanding balance on the Revolving Credit Facility was included in current maturities of long-term debt in the accompanying unaudited condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017, due to the Company's intent to repay the borrowings within the following twelve month period. Subsequent to March 31, 2018, SEA borrowed an additional \$10,000 on the Revolving Credit Facility for general working capital purposes and repaid \$25,000.

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The Term B-2 Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B-2 Loans on May 14, 2013, with the balance due on the final maturity date of May 14, 2020. The Term B-5 Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B-5 Loans on March 31, 2017, with the balance due on the final maturity date of March 31, 2024. SEA may voluntarily repay amounts outstanding under the Senior Secured Credit Facilities at any time without premium or penalty, other than customary “breakage” costs with respect to LIBOR loans.

SEA is required to prepay the outstanding Term B-2 Loans and Term B-5 Loans, subject to certain exceptions, with

- (i) 50% of SEA’s annual “excess cash flow” (with step-downs to 25% and 0%, as applicable, based upon achievement by SEA of a certain secured net leverage ratio), subject to certain exceptions;
- (ii) 100% of the net cash proceeds of certain non-ordinary course asset sales or other dispositions subject to reinvestment rights and certain exceptions; and
- (iii) 100% of the net cash proceeds of any incurrence of debt by SEA or any of its restricted subsidiaries, other than debt permitted to be incurred or issued under the Senior Secured Credit Facilities.

Notwithstanding any of the foregoing, each lender of term loans has the right to reject its pro rata share of mandatory prepayments described above, in which case SEA may retain the amounts so rejected. The foregoing mandatory prepayments will be applied pro rata to installments of term loans in direct order of maturity. During the first quarter of 2017, the Company made a mandatory prepayment of approximately \$6,300 based on its excess cash flow calculation as of December 31, 2016. Approximately \$3,500 of the mandatory prepayment was accepted by the lenders and applied ratably to the Term B-2 and Term B-3 Loans prior to the Amendment on March 31, 2017, and the remainder of \$2,800 was applied as a voluntary prepayment to the Term B-2 Loans in the second quarter of 2017. There were no mandatory prepayments made during the three months ended March 31, 2018.

As of March 31, 2018, SEA had \$21,291 of outstanding letters of credit and \$55,000 outstanding on its Revolving Credit Facility leaving \$133,709 available for borrowing.

Restrictive Covenants

The Senior Secured Credit Facilities contain a number of customary negative covenants. Such covenants, among other things, restrict, subject to certain exceptions, the ability of SEA and its restricted subsidiaries to incur additional indebtedness; make guarantees; create liens on assets; enter into sale and leaseback transactions; engage in mergers or consolidations; sell assets; make fundamental changes; pay dividends and distributions or repurchase SEA’s capital stock; make investments, loans and advances, including acquisitions; engage in certain transactions with affiliates; make changes in the nature of the business; and make prepayments of junior debt. The Senior Secured Credit Facilities also contain covenants requiring SEA to limit annual capital expenditures and maintain a maximum total net leverage ratio and a minimum interest coverage ratio. All of the net assets of SEA and its consolidated subsidiaries are restricted and there are no unconsolidated subsidiaries of SEA.

The Senior Secured Credit Facilities permit restricted payments in an aggregate amount per annum equal to the sum of (A) \$25,000 plus (B) an amount, if any, equal to (1) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment, is no greater than 3.50 to 1.00, an unlimited amount, (2) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment is no greater than 4.00 to 1.00 and greater than 3.50 to 1.00, the greater of (a) \$95,000 and (b) 7.50% of Market Capitalization (as defined in the Senior Secured Credit Facilities), (3) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment is no greater than 4.50 to 1.00 and greater than 4.00 to 1.00, \$95,000 and (4) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment is no greater than 5.00 to 1.00 and greater than 4.50 to 1.00, \$65,000.

As of March 31, 2018, the total net leverage ratio as calculated under the Senior Secured Credit Facilities was 4.70 to 1.00, which would result in the Company having a \$90,000 available capacity for restricted payments in 2018. The amount available for dividend declarations, share repurchases and certain other restricted payments under the covenant restrictions in the debt agreements adjusts at the beginning of each quarter, as set forth above. The total net leverage ratio as calculated under the Senior Secured Credit Facilities is not permitted to be greater than 5.75 to 1.00 as of the last day of any fiscal quarter.

Long-term debt at March 31, 2018 is repayable as follows, and does not include the impact of any future voluntary prepayments. The outstanding balance under the Revolving Credit Facility is included in current maturities of long-term debt in the accompanying unaudited condensed consolidated balance sheet as of March 31, 2018, due to the Company's intent to repay the borrowings within the next twelve months.

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Years Ending December 31,	
2018	\$72,780
2019	23,707
2020	536,763
2021	9,983
2022	9,983
Thereafter	940,903
Total	\$1,594,119

Interest Rate Swap Agreements

As of March 31, 2018, the Company has five interest rate swap agreements (the “Interest Rate Swap Agreements”) which effectively fix the interest rate on the three month LIBOR-indexed interest payments associated with \$1,000,000 of SEA’s outstanding long-term debt. The Interest Rate Swap Agreements became effective on September 30, 2016; have a total notional amount of \$1,000,000; mature on May 14, 2020; require the Company to pay a weighted-average fixed rate of 2.45% per annum; the Company receives a variable rate of interest based upon the greater of 0.75% or the three month BBA LIBOR; and have interest settlement dates occurring on the last day of September, December, March and June through maturity.

SEA designated the Interest Rate Swap Agreements above as qualifying cash flow hedge accounting relationships as further discussed in Note 7–Derivative Instruments and Hedging Activities which follows.

Cash paid for interest relating to the Senior Secured Credit Facilities and the Interest Rate Swap Agreements, net of amounts capitalized, as applicable, was \$23,995 and \$31,040 in the three months ended March 31, 2018 and 2017, respectively. Cash paid for interest in the three months ended March 31, 2018, includes \$5,050 relating to the Company’s fourth quarter 2017 interest payable on its Senior Secured Credit Facilities which was paid on January 5, 2018. Cash paid for interest in the three months ended March 31, 2017 includes \$12,904 relating to the Company’s fourth quarter 2016 interest payable on its Senior Secured Credit Facilities which was paid on January 3, 2017.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company’s derivative financial instruments are used to manage differences in the amount, timing and duration of the Company’s known or expected cash receipts and its known or expected cash payments principally related to the Company’s borrowings. The Company does not speculate using derivative instruments.

As of March 31, 2018 and December 31, 2017, the Company did not have any derivatives outstanding that were not designated in hedge accounting relationships.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. During the three months ended March 31, 2018 and 2017, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

As of March 31, 2018, the Company has five Interest Rate Swap Agreements which effectively fix the interest rate on the three month LIBOR-indexed interest payments associated with \$1,000,000 of SEA's outstanding long-term debt.

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The interest rate swap agreements are designated as cash flow hedges of interest rate risk. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended March 31, 2018 and 2017, there was no ineffectiveness on cash flow hedges. Amounts reported in accumulated other comprehensive gain (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next 12 months, the Company estimates that an additional \$767 will be reclassified as an increase to interest expense.

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification in the unaudited condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017:

	Asset Derivatives As of March 31, 2018 Balance Sheet		Liability Derivatives As of December 31, 2017 Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swap agreements	Other assets	\$ 1,810	Other liabilities	\$ 8,455
Total derivatives designated as hedging instruments		\$ 1,810		\$ 8,455

Tabular Disclosure of the Effect of Derivative Instruments on the Statements of Comprehensive Loss

The table below presents the pretax effect of the Company's derivative financial instruments in the unaudited condensed consolidated statements of comprehensive loss for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018		2017	
	Derivatives in Cash Flow Hedging Relationships:			
Gain related to effective portion of derivatives recognized in accumulated other comprehensive loss		\$12,116		\$7,638
		\$(1,851)		\$(3,636)

Loss related to effective portion of derivatives reclassified from accumulated other comprehensive loss to interest expense

Credit Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. As of March 31, 2018, the termination value of derivatives in a net asset position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$1,754.

Changes in Accumulated Other Comprehensive Income (loss)

The following table reflects the changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2018, net of tax:

	(Losses) Gains on
Accumulated other comprehensive gain (loss):	Cash Flow Hedges
Accumulated other comprehensive loss at December 31, 2017	\$ (5,076)
Effects of adoption of ASU 2018-02	(1,094)
Other comprehensive income before reclassifications	8,842
Amounts reclassified from accumulated other comprehensive income to interest expense	(1,351)
Unrealized gain on derivatives, net of tax	7,491
Accumulated other comprehensive income at March 31, 2018	\$ 1,321

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8. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement is required to be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity. The standard describes three levels of inputs that may be used to measure fair value:

Level 1- Quoted prices for identical instruments in active markets.

Level 2- Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company has determined that the majority of the inputs used to value its derivative financial instruments using the income approach fall within Level 2 of the fair value hierarchy. The Company uses readily available market data to value its derivatives, such as interest rate curves and discount factors. ASC 820, Fair Value Measurement also requires consideration of credit risk in the valuation. The Company uses a potential future exposure model to estimate this credit valuation adjustment (“CVA”). The inputs to the CVA are largely based on observable market data, with the exception of certain assumptions regarding credit worthiness which make the CVA a Level 3 input. Based on the magnitude of the CVA, it is not considered a significant input and the derivatives are classified as Level 2. Of the Company’s long-term obligations, the Term B-2 Loans and Term B-5 Loans are classified in Level 2 of the fair value hierarchy as of March 31, 2018 and December 31, 2017. The fair value of the term loans as of March 31, 2018 and December 31, 2017 approximate their carrying value, excluding unamortized debt issuance costs and discounts, due to the variable nature of the underlying interest rates and the frequent intervals at which such interest rates are reset.

There were no transfers between Levels 1, 2 or 3 during the three months ended March 31, 2018. The following table presents the Company’s estimated fair value measurements and related classifications for assets and liabilities measured on a recurring basis as of March 31, 2018:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2018
Assets:				

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Derivative financial instruments ^(a)	\$	—	\$1,810	\$	—	\$1,810
Liabilities:						
Long-term obligations ^(b)	\$	—	\$1,594,119	\$	—	\$1,594,119

(a) Reflected at fair value in the unaudited condensed consolidated balance sheet as other assets of \$1,810.

(b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the unaudited condensed consolidated balance sheet as current maturities of long-term debt of \$78,707 and long-term debt of \$1,498,839 as of March 31, 2018.

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There were no transfers between Levels 1, 2 or 3 during the year ended December 31, 2017. The Company did not have any assets measured on a recurring basis at fair value as of December 31, 2017. The following table presents the Company's estimated fair value measurements and related classifications for liabilities measured on a recurring basis as of December 31, 2017:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Liabilities:				
Derivative financial instruments ^(a)	\$ —	\$ 8,455	\$ —	\$ 8,455
Long-term obligations ^(b)	\$ —	\$ 1,560,046	\$ —	\$ 1,560,046

(a) Reflected at fair value in the unaudited condensed consolidated balance sheet as other liabilities of \$8,455.

(b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the unaudited condensed consolidated balance sheet as current maturities of long-term debt of \$38,707 and long-term debt of \$1,503,609 as of December 31, 2017.

9. RELATED-PARTY TRANSACTIONS

On May 8, 2017 an affiliate of Zhonghong Zhuoye Group Co., Ltd. ("ZHG Group"), Sun Wise (UK) Co., LTD ("ZHG" or "Buyer") acquired approximately 21% of the outstanding shares of common stock of the Company (the "ZHG Transaction") from several limited partnerships (the "Seller") ultimately owned by affiliates of the Blackstone Group L.P. ("Blackstone") and certain co-investors, pursuant to a stock purchase agreement between ZHG and Seller (the "Stock Purchase Agreement").

In connection with the ZHG Transaction, Sellers reimbursed the Company for approximately \$4,000 of related costs and expenses incurred by the Company during the year ended December 31, 2017.

On March 24, 2017, the Company entered into the ZHG Agreements with Zhonghong Holding, an affiliate of ZHG Group. In exchange for providing services under the ZHG Agreements, the Company is expected to receive fees as well as a travel stipend per year through 2019. The Company recognizes revenue under the ZHG Agreements on a straight-line basis over the contractual term of the agreements including approximately \$1,300 in the three months ended March 31, 2018. Related revenue during the three months ended March 31, 2017 was not material. As of March 31, 2018, a receivable related to the ZHG Agreements of approximately \$3,200 was included in accounts receivable in the accompanying unaudited condensed consolidated balance sheet.

10. COMMITMENTS AND CONTINGENCIES

Securities Class Action Lawsuit

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 to 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 27, 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"), 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. On March 31, 2016, the Court granted the motions to dismiss the amended complaint, in its entirety, without prejudice. 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. On September 30, 2016, the Court denied the renewed motion to dismiss the Second Amended Complaint. On May 19, 2017, Plaintiffs filed a motion for class certification which the Court granted on November 29, 2017. On December 13, 2017, Defendants filed a petition with the Ninth Circuit for permission to appeal the Court's class certification order which petition is still pending. Discovery is currently ongoing with the trial scheduled for 2019.

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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 of 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 Class Action Lawsuits

On March 25, 2015, a purported class action was filed in the United States District Court for the Southern District of California against the Company, captioned *Holly Hall v. SeaWorld Entertainment, Inc.*, Case No. 3:15-cv-00600-CAB-RBB (the "Hall Matter"). The complaint identifies three putative classes consisting of all consumers nationwide who at any time during the four-year period preceding the filing of the original complaint, purchased an admission ticket, a membership or a SeaWorld "experience" that includes an "orca experience" from the SeaWorld amusement park in San Diego, California, Orlando, Florida or San Antonio, Texas respectively. The complaint alleges causes of action under California Unfair Competition Law, California Consumers Legal Remedies Act ("CLRA"), California False Advertising Law, California Deceit statute, Florida Unfair and Deceptive Trade Practices Act, Texas Deceptive Trade Practices Act, as well as claims for Unjust Enrichment. 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 purchasers, and omitted material facts regarding its orcas with intent to deceive and mislead the plaintiff and purported class members. The complaint further alleges that the specific misrepresentations heard and relied upon by Holly Hall in purchasing her SeaWorld tickets concerned the circumstances surrounding the death of a SeaWorld trainer. The complaint seeks actual damages, equitable relief, attorney's fees and costs. Plaintiffs claim that the amount in controversy exceeds \$5,000, but the liability exposure is speculative until the size of the class is determined (if certification is granted at all). In addition, four other purported class actions were filed against the Company and its affiliates. Such actions were subsequently dismissed or consolidated with the Hall matter described above.

The Company filed a motion to dismiss the entirety of the plaintiffs' Second Consolidated Amended Complaint ("SAC") with prejudice on February 25, 2016. The United States District Court for the Southern District of California granted the Company's motion to dismiss the entire SAC with prejudice and entered judgment for the Company on May 13, 2016. Plaintiffs filed their notice of appeal to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit") on June 10, 2016. The appeal has been fully briefed and argued and the Company awaits the Court's decision.

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., Case No. CGC-15-545292 (the “Anderson Matter”). The putative class consists 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 purchasers, and omitted material facts regarding its orcas with intent to deceive and mislead the plaintiff 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 exceeds \$5,000, but the liability exposure is speculative until the size of the class is determined (if certification is granted at all). On May 14, 2015, the Company removed the case to the United States District Court for the Northern District of California, Case No. 15:cv-2172-SC.

The Company filed a motion for summary judgment on October 30, 2017 which the Court granted in part and denied in part. All three named plaintiffs continue to have claims for individual restitution and injunctive relief. The case is in the preliminary stages of discovery and the plaintiffs’ motion for class certification is scheduled to be filed on June 1, 2018.

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The Company believes that the above-described lawsuits are without merit and intends to defend these lawsuits 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 \$11,500, 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 \$11,500 related to this proposed settlement in other accrued liabilities as of March 31, 2018 on the accompanying unaudited condensed consolidated balance sheet.

License Agreement

On May 16, 2017, SEA entered into a License Agreement (the “License Agreement”) with Sesame Workshop (“Sesame”), a New York not-for-profit corporation. SEA’s principal commitments pursuant to the License Agreement include: (i) opening a new Sesame Place theme park no later than mid-2021 in a location to be determined; (ii) building a new Sesame Land in SeaWorld Orlando by fall 2022; (iii) investing in minimum annual capital and marketing thresholds; and (iv) providing support for agreed upon sponsorship and charitable initiatives. The Company estimates the combined obligations for these commitments could be up to approximately \$150,000 over the term of the agreement. After the opening of the second Standalone Park (counting the existing Sesame Place Standalone Park in Langhorne, Pennsylvania), SEA will have the option to build additional Standalone Parks in the Sesame Territory within agreed upon timelines. The License Agreement has an initial term through December 31, 2031, with an automatic additional 15 year extension plus a five year option added to the term of the License Agreement from December 31st of the year of each new Standalone Park opening. On May 2, 2018, the Company announced that it plans to open a new Sesame Land in SeaWorld Orlando by Spring of 2019.

Pursuant to the License Agreement with Sesame Workshop, the Company 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.

Anheuser-Busch, Incorporated has granted the Company 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 the Company’s 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, the Company is required to indemnify ABI against losses related to the use of the marks.

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).

On April 6, 2018, the Company received a written "Wells" notice from the SEC relating to a previously disclosed investigation by the SEC. The Wells notice indicated that staff (the "Staff") of the SEC has made a preliminary determination to recommend to the SEC that a civil enforcement action or administrative proceeding be brought against the Company. No individual currently employed by the Company has received a Wells notice.

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A Wells notice is not a formal allegation or a finding of wrongdoing by the Company. In addition, under the SEC procedures, a recipient of a Wells notice has an opportunity to respond in the form of a Wells submission that provides the Company's position that such an action should not be brought.

The Wells notice issued to the Company states that the proposed action against the Company would allege violations of certain provisions of the U.S. federal securities laws. The Wells notice states that the Staff's recommendation may involve various civil or administrative actions or proceedings, and may seek remedies that include an injunction, a cease-and-desist order, disgorgement, pre-judgment interest and civil money penalties. The Company will continue to cooperate with the SEC and is responding through a Wells submission to the SEC setting forth the reasons why the Company believes no action should be commenced against it.

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.

11. EQUITY-BASED COMPENSATION

In accordance with ASC 718, Compensation-Stock Compensation, the Company measures the cost of employee services rendered in exchange for share-based compensation based upon the grant date fair market value. The cost is recognized over the requisite service period, which is generally the vesting period unless service or performance conditions require otherwise. The Company recognizes the impact of forfeitures as they occur. The Company has granted stock options, time-vesting restricted shares, time-vesting restricted stock units, performance-vesting restricted shares and performance-vesting restricted stock units.

Total equity compensation expense was \$7,545 and \$4,114 for the three months ended March 31, 2018 and 2017, respectively. Equity compensation expense for the three months ended March 31, 2018 includes approximately \$4,500 related to certain equity awards which were accelerated to vest in the first quarter of 2018 in connection with the departure of certain executives as required by their respective employment agreements. See Note 13—Restructuring Program and Other Separation Costs for further details. Equity compensation expense is included in selling, general and administrative expenses and in operating expenses in the accompanying unaudited condensed consolidated statements of comprehensive loss. Total unrecognized equity compensation expense for all equity compensation awards probable of vesting as of March 31, 2018 was approximately \$34,600 which is expected to be recognized over the respective service periods.

The activity related to the Company's time-vesting and performance-vesting awards during the three months ended March 31, 2018 is as follows:

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Time-Vesting	Performance-Vesting Restricted shares/units Long-Term		Incentive					
	Bonus Performance		Performance	2.75x Performance				
Restricted shares/units	Restricted shares/units	Restricted shares/units	Restricted shares/units	Restricted shares				
Weighted	Weighted	Weighted	Weighted	Weighted				
Average	Average	Average	Average	Weighted				
Grant Date	Grant Date	Grant Date	Grant Date	Average				
Fair	Fair	Fair	Fair	Grant Date				
Value	Value	Value	Value	Fair Value				
per	per	per	per	Fair Value				
	Shares/Units	Share/Unit	Shares/Unit	Share/Unit	Shares	Share/Unit	Shares	per Share
Outstanding at								
December 31, 2017	1,852,512	\$ 17.09	805,245	\$ 18.09	864,572	\$ 18.50	616,793	\$ 3.56
Granted	188,577	\$ 14.71	707,981	\$ 14.66	1,122,526	\$ 14.74	—	—
Vested	(281,861)	\$ 18.90	(69,221)	\$ 18.07	(9,010)	\$ 18.79	—	—
Forfeited	(432,341)	\$ 18.12	(754,750)	\$ 18.01	(554,388)	\$ 18.34	(3,893)	\$ 13.93
Outstanding at March								
31, 2018	1,326,887	\$ 16.04	689,255	\$ 14.66	1,423,700			