

Mossberg's Investor Digest

Best Idea Profile:

Six Flags Entertainment Corporation (NYSE:SIX)

DESCRIPTION:

Headquartered in Grand Prairie, TX, Six Flags Entertainment Corporation owns and operates regional theme, water and zoological parks, and is the largest regional theme park operator in the world. Of the 19 parks the Company currently owns or operates, 17 are located in the US, one in Mexico City, and one in Montreal. SIX's parks are located in geographically diverse markets across North America and they generally offer a broad selection of state-of-the-art and traditional thrill rides, water attractions, themed areas, concerts and shows, restaurants, game venues and retail outlets, and thereby provide a complete family oriented entertainment experience.

KEY INVESTMENT CONSIDERATIONS:

Established and Valuable Franchise – Six Flags is a well-known name in the family entertainment industry. Six's theme parks have strong brand recognition and have a diverse geographic mix in the US. Additionally, the company holds exclusive long-term licenses for theme park usage throughout the United States (except the Las Vegas metropolitan area), Canada, Mexico and other countries of certain Warner Bros. and DC Comics characters. These characters include Bugs Bunny, Daffy Duck, Tweety Bird, Yosemite Sam, Batman, Superman and others. These brand licenses are used for merchandise sales and marketing purposes.

High Barriers to Entry – Six Flag's business has high barriers to entry for new participants and limited direct theme park competition. There is a limited supply of real estate appropriate for theme park development in the US. Also, high initial capital investment requirements along with long development lead-times and zoning restrictions gives its parks a significant degree of protection from competitive new theme park openings.

Emergence from Chapter 11 Reorganization – Six Flags emerged from bankruptcy court last spring and its new stock began trading in June 2010. The post-bankruptcy company has far less leverage, leaner operations, and a new experienced senior management team. Six Flags is very much a "new" company and has fresh start post bankruptcy.

Stock Repurchase Program – On February 24, 2011, Six Flags announced that its board of directors has approved a stock repurchase plan that permits the company to repurchase up to \$60 million of common stock over a three-year time period.

Recent Performance – Six Flags reported 20% revenue growth and a record \$22 million in adjusted EBITDA for Q410. 2010 revenue grew \$77 million, or 9%, to \$976 million. Profitability for the company was strong with adjusted EBITDA reaching \$295 million for the full year, representing an increase of \$98 million versus 2009.

Debt Rating Upgrade – Standard & Poor's recently announced that it was raising the company's corporate credit rating to BB-', a one notch upgrade, which pursuant to the terms of the company's credit agreement immediately reduces the company's rate of borrowing on their senior term loan by 25 basis points.

VALUATION:

Six Flags is clearly a new company with an entirely different outlook. The bankruptcy restructuring has left the company in the hands of a new management team with a leaner cost base. Six Flags trades at Px/earnings ratio of 6x and with continued improvement should be a good cash generator. The company deserves a close look by investors looking for exposure in the entertainment industry.

(NYSE:SIX)

Investment Data (as of 3/18/11)

Recent Price	\$70.22
52-Week Range	\$31.5 - \$70.24
Fiscal Year End	Dec
Dividend	0.24
Yield	0.40%
Shares Outstanding	27.9MM
Average Trading Volume (3 mos)	100k
Market Capitalization	\$2.0B
Cash	\$255MM
Long Term Debt	1B
Enterprise Value (EV)	\$2.6B
LT Debt/ Equity	NA
BV/ Share	\$34.34
TTM Revenue	\$976MM
P/ Revenue	1.9x
TTM EPS	\$11.72
P/ EPS	6x
TTM EBITDA	\$295MM
EV/ EBITDA	9X

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