

SEAWORLD  
ENTERTAINMENT.®



2020

ANNUAL REPORT



# SEAWORLD ENTERTAINMENT®

To Our Shareholders,

When I was writing this letter one year ago, the world was entering an unprecedented global health crisis because of the COVID-19 virus, impacting nearly everyone on the planet. One year later, we are still dealing with the pandemic, but we believe the world is beginning to overcome the health crisis due to the rapid rollout and adoption of various vaccines created to protect the global population. It is our hope that you and your loved ones have been kept safe throughout this crisis. We also express our gratitude to the many healthcare workers and first responders worldwide who have cared for and continue to care for those affected and protect those who are vulnerable to this virus.

Our annual financial results were significantly impacted by the COVID-19 pandemic. Because of the pandemic, we were forced to close all our parks and dramatically reduce our workforce in March 2020. In June of 2020, we began to re-open some of our parks, following strict health and safety protocols established by federal, state and local authorities. During 2020, we took necessary steps to preserve the Company's financial position to weather this unprecedented crisis. Today, I am pleased to report that we are planning to have all 12 of our parks open for their 2021 operating seasons.

## 2020 FINANCIAL PERFORMANCE

In February 2021, we reported fourth quarter and fiscal 2020 results that clearly demonstrated our Company's agility, creativity and determination to operate in one of the most challenging environments we have ever encountered. While the COVID-19 pandemic severely impacted our operations with park closures in the spring followed by restricted openings including capacity limitations, our ambassadors worked collaboratively to find ways to operate within the health and safety guidelines established by federal, state and local governments. I am grateful for their commitment, teamwork and passion as they took care of our guests, our animals and each other throughout this period. In addition, I am pleased that we were able to operate our parks more efficiently than ever before due to our relentless focus on expense management and culture of operational efficiency.

We look forward to the time when our parks can return to a more normalized operating environment. We believe there are significant additional opportunities to further improve and enhance our execution and drive meaningful growth in revenue and Adjusted EBITDA when our parks are no longer restricted by capacity limitations, and event restrictions. We have identified meaningful additional cost-savings opportunities that we believe will lead to strong margin improvement in the coming years. We are excited about the future and the opportunity to deliver significant operational and financial improvement that we expect will lead to meaningful increases in shareholder value once we have returned to a normalized operating environment.

We want to thank our employee ambassadors for their continued dedication and effort to welcome back our guests while operating our parks in accordance with the latest health and safety protocols. We want to thank our loyal pass-holders and guests for continuing to visit our parks. And, finally we would like to thank our financial and operating partners for their continued support and understanding during these unprecedented times.

We have the right assets and team, our balance sheet and liquidity are strong, we are successfully navigating through this extraordinary environment and we are confident we will emerge an even stronger and more profitable enterprise. We continue to have high confidence in our long-term strategy and in our ability to deliver significantly improved operating and financial results that will lead to meaningfully increased value for all stakeholders.

Thank you for your investment in SeaWorld Entertainment.

Sincerely,



Marc G. Swanson  
Interim Chief Executive Officer



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35883

**SeaWorld Entertainment, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

6240 Sea Harbor Drive  
Orlando, Florida  
(Address of principal executive offices)

32821  
(Zip Code)

(407) 226-5011

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SEAS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was \$749,219,595 based upon the closing price of the registrant's common stock, par value \$0.01 per share, reported for such date on the New York Stock Exchange. For purposes of this computation, shares of the registrant's common stock held by each executive officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded since such persons may be deemed to be affiliates. This determination of affiliate status is not a determination of affiliate status for other purposes.

The registrant had outstanding 78,508,888 shares of Common Stock, par value \$0.01 per share as of February 19, 2021.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission relating to the 2021 Annual Meeting of Stockholders, which statement will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this report.

**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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*Unless otherwise noted or the context otherwise requires, (i) references to the “Company,” “SeaWorld,” “we,” “our” or “us” in this Annual Report on Form 10-K refer to SeaWorld Entertainment, Inc. and its consolidated subsidiaries; (ii) references to “guests” refer to our theme park visitors; (iii) references to “customers” refer to any consumer of our products and services, including guests of our theme parks; (iv) references to our “theme parks” or “parks” include all of our separately gated parks; (v) references to the “TEA/AECOM 2019 Report” refer to the 2019 Theme Index: The Global Attractions Attendance Report, TEA/AECOM, 2020; and (vi) references to the “Amusement Today, 2019” refer to the Amusement Today 2019 Golden Ticket Awards, Vol. 23, issue 6.2 dated September 2019. Unless otherwise noted, attendance rankings included in this Annual Report on Form 10-K are based on the TEA/AECOM 2019 Report, which are not independently validated by the Company.*

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

- the effects of the global Coronavirus (“COVID-19”) pandemic on our business and the economy in general
- complex federal and state regulations governing the treatment of animals, which can change, and claims and lawsuits by activist groups before government regulators and in the courts;
- activist and other third-party groups and/or media can pressure governmental agencies, vendors, partners, and/or regulators, bring action in the courts or create negative publicity about us;
- various factors beyond our control adversely affecting attendance and guest spending at our theme parks, including, but not limited to, weather, natural disasters, foreign exchange rates, consumer confidence, the potential spread of travel-related health concerns including pandemics and epidemics, travel related concerns, and governmental actions;
- incidents or adverse publicity concerning our theme parks, the theme park industry and/or zoological facilities;
- a decline in discretionary consumer spending or consumer confidence;
- a significant portion of our revenues have historically been generated in the States of Florida, California and Virginia, and any risks affecting such markets, such as natural disasters, closures due to pandemics, severe weather and travel-related disruptions or incidents;
- seasonal fluctuations in operating results;
- inability to compete effectively in the highly competitive theme park industry;
- interactions between animals and our employees and our guests at attractions at our theme parks;
- animal exposure to infectious disease;
- high fixed cost structure of theme park operations;
- changing consumer tastes and preferences;
- cyber security risks and failure to maintain the integrity of internal or guest data;
- technology interruptions or failures that impair access to our websites and/or information technology systems;
- increased labor costs, including minimum wage increases, 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 and/or labor disputes;
- inability to meet workforce needs;
- inability to realize the benefits of developments, restructurings, acquisitions or other strategic initiatives, and the impact of the costs associated with such activities;
- inability to maintain certain commercial licenses;
- restrictions in our debt agreements limiting flexibility in operating our business;
- changes in the method for determining LIBOR and the potential replacement of LIBOR may affect our cost of capital;
- inability to retain our current credit ratings;
- our substantial leverage;
- inadequate insurance coverage;
- inability to purchase or contract with third party manufacturers for rides and attractions or construction delays;
- environmental regulations, expenditures and liabilities;
- suspension or termination of any of our business licenses, including by legislation at federal, state or local levels;
- delays, restrictions or inability to obtain or maintain permits;
- financial distress of strategic partners or other counterparties;
- changes to immigration, foreign trade, investments and/or other policies;
- inability to realize the full value of our intangible assets;
- changes in tax laws;
- tariffs or other trade restrictions;
- actions of activist stockholders;
- the ability of Hill Path Capital LP to significantly influence our decisions;
- changes or declines in our stock price, as well as the risk that securities analysts could downgrade our stock or our sector;
- 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; and
- other factors described in “Item 1A. Risk Factors” included elsewhere in this Annual Report on Form 10-K.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors’ likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this Annual Report on Form 10-K apply only as of the date of this Annual Report on Form 10-K or as the date they were made and, except as required by applicable law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise.

### **Trademarks, Service Marks and Trade Names**

We own or have rights to use a number of registered and common law trademarks, service marks and trade names in connection with our business in the United States and in certain foreign jurisdictions, including SeaWorld Entertainment, SeaWorld Parks & Entertainment, SeaWorld®, Shamu®, Busch Gardens®, Aquatica®, Discovery Cove®, Sea Rescue® and other names and marks that identify our theme parks, characters, rides, attractions and other businesses. In addition, we have certain rights to use Sesame Street® marks, characters and related indicia through a license agreement with Sesame Workshop.

Solely for convenience, the trademarks, service marks, and trade names referred to hereafter in this Annual Report on Form 10-K are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This Annual Report on Form 10-K may contain additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this Annual Report on Form 10-K are, to our knowledge, the property of their respective owners.



## **PART I.**

### **Item 1. Business**

#### **Company Overview**

We are a leading theme park and entertainment company providing experiences that matter and inspiring guests to protect animals and the wild wonders of our world. We own or license a portfolio of recognized brands including SeaWorld, Busch Gardens, Aquatica, Discovery Cove, Sesame Place and Sea Rescue. Over our more than 60-year history, we have developed a diversified portfolio of 12 differentiated theme parks that are grouped in key markets across the United States. Many of our theme parks showcase our one-of-a-kind zoological collection and feature a diverse array of both thrill and family-friendly rides, educational presentations, shows and/or other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.

We generate revenue primarily from selling admission to our theme parks and from purchases of food, merchandise and other items, primarily within our theme parks. For more information concerning our results from operations, see the “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” section included elsewhere in this Annual Report on Form 10-K.

As one of the world’s foremost zoological organizations and a global leader in animal welfare, training, husbandry, veterinary care and marine animal rescue, we are committed to helping protect and preserve the oceans, environment and the natural world. For more information, see the “—*Our Culture and Social Responsibility*” section included elsewhere in this Annual Report on Form 10-K.

#### **Recent Developments**

##### **Impact of Global COVID-19 Pandemic**

In response to the global COVID-19 pandemic, and in compliance with government restrictions, we temporarily closed all of our theme parks effective March 16, 2020. Beginning in June 2020, we began the phased reopening of some of our parks with enhanced health, safety and sanitizing measures, capacity limitations, modified/limited operations, reduced hours and/or reduced operating days. In particular, on June 6, our Aquatica water park in Texas reopened; on June 11, all five of our Florida parks reopened; on June 19, our SeaWorld park in Texas reopened; on July 24, our Sesame Place park in Pennsylvania reopened; on August 5, our Busch Gardens park in Virginia reopened and on August 28, our SeaWorld park in California reopened on a limited basis, following the State of California’s guidance for reopening zoos. In compliance with revised state government restrictions issued late in the fourth quarter in California, we once again closed our SeaWorld park in California effective December 7, 2020. Separately, we were unable to open our Aquatica water park in California and our Water Country USA water park in Virginia for the 2020 operating season. Additionally, during the third quarter, the state of Virginia had a state mandated capacity restriction of 1,000 guests at a time which significantly restricted attendance for our Busch Gardens park in that state. On October 29, 2020, the State of Virginia revised its theme park guidance and modified the methodology for calculating capacity at theme parks. As a result, capacity at this park increased from 1,000 guests to approximately 4,000 guests at a time. On February 1, 2021, in consultation with the State of Virginia, we increased capacity to approximately 6,000 guests at a time based on revisions to the methodology for calculating restricted capacity at theme parks. On January 15, 2021, while our SeaWorld San Diego park remained closed, we introduced a limited time drive-through only experience for guests at this park. Subsequently, based on updated state government guidance issued in January 2021, we have since reopened our SeaWorld park in California on February 6, 2021 on a limited basis, once again following the State of California’s guidance for reopening zoos. In 2021, we have also begun year-round operations at our SeaWorld park in Texas and have begun to operate on select days at both our Busch Gardens park in Virginia and our Sesame Place park in Pennsylvania. These parks are now open primarily on the weekend and holidays during the winter season, weather permitting. We continue to monitor guidance from, and engage with, federal, state and local authorities and may adjust our plans accordingly.

Since the COVID-19 pandemic began, we have taken proactive measures for the safety of our guests, employees and animals, to manage costs and expenditures, and to maximize liquidity in response to the temporary park closures and limited reopenings related to the COVID-19 pandemic. Some of these measures included, but were not limited to: (i) increased our revolving credit commitments on March 10th; (ii) issued \$227.5 million in first-priority senior secured notes and \$500.0 million in second-priority senior secured notes to raise additional capital and further enhance available liquidity; (iii) entered into amendments to our existing senior secured credit facilities to amend our financial covenants; (iv) initially furloughed approximately 95% of our employees upon closing all of our parks; (v) obtained payroll tax credits and deferred certain social security payroll taxes under the CARES act; (vi) temporarily reduced executive officers’ base salary by 20% through November 2020; (vii) eliminated and/or deferred all non-essential operating expenses at all of our parks and corporate headquarters while the parks were closed and actively managing operating expenses; (viii) eliminated substantially all advertising and marketing spend while the parks were closed and strategically managing marketing spend as parks reopened; (ix) substantially reduced or deferred all capital expenditures starting in March 2020 (other than minimal essential capital expenditures) when the parks were closed and postponed the opening of rides that were still under construction and scheduled to open in 2020; (x) worked with certain vendors and other business partners to manage, defer, and/or abate certain costs and payments and; (xi) added additional levels of review and approval for payments and cash disbursements which remains in place.

Concurrent with the reopening of some of our parks, we began to prudently bring some employees back from furlough. Some of our employees remain on furlough while others have been transitioned from a furloughed status to a permanent layoff.

The COVID-19 pandemic, resulting park closures and limited park reopenings have had, and are likely to continue to have, a material impact on our financial results. See further discussion in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” section included elsewhere in this Annual Report on Form 10-K.

### ***Leadership Changes***

Effective April 4, 2020, Sergio D. Rivera resigned from his position of Chief Executive Officer and as a member of our Board. As a result, the Board appointed Marc G. Swanson, our Chief Financial Officer and Treasurer, to serve as Interim Chief Executive Officer and Elizabeth C. Gulacsy, our Chief Accounting Officer, to serve as Interim Chief Financial Officer and Treasurer in addition to her role of Chief Accounting Officer. Also on April 4, 2020, the Board appointed Walter Bogumil to serve as the Company’s Chief Operating Officer. Mr. Rivera was not entitled to any severance benefits in connection with his departure and forfeited his outstanding equity awards.

The Board increased its size from eight to ten directors and elected Timothy J. Hartnett and Kimberly K. Schaefer to serve as directors of the Company on December 9, 2020.

### **Our Competitive Strengths**

- **Brands That Consumers Know and Love.** We believe our brands attract and appeal to guests from around the world. We use our brands, intellectual property and the work we do to care for animals to increase awareness of our theme parks, drive attendance to our theme parks and create “out-of-park” experiences for our guests as a way to connect with them before they visit our theme parks and to stay connected with them after their visit. Such experiences include various consumer product offerings, including toys, books, apparel, and technology accessories as well as our websites and advertisements.
- **Differentiated Theme Parks.** We own and operate 12 theme parks which deliver high-quality educational experiences, entertainment offerings, aesthetic appeal, and shopping and dining experiences. Our portfolio includes theme parks ranked among the most highly attended in the industry, including three of the top 20 theme parks and four of the top 10 water parks in North America, as measured by attendance (*TEA/AECOM 2019 Report*). Our combined theme park portfolio has over 650 attractions that appeal to guests of all ages, including 88 animal habitats, 114 programs and 204 rides. In addition, we have over 350 restaurants, photo and specialty retail shops. Our theme parks appeal to the entire family and offer a broad range of experiences, ranging from educational animal encounters and presentations, to thrilling rides and exciting shows. In fact, we have won numerous awards and recognition. See further details in our theme park portfolio table located in the *Our Theme Parks* section which follows.
- **Diversified Business Portfolio.** Our portfolio of theme parks is diversified in a number of important respects. Our theme parks are located in geographic clusters across the United States, which at times can help protect us from the impact of localized events. Many of our theme parks showcase a different mix of thrill-oriented and family friendly attractions including rides, educational presentations and/or shows. This varied portfolio of offerings attracts guests from a broad range of demographics and geographies. Our portfolio of theme parks appeal to both regional and destination guests, which provide us with a diversified attendance base.
- **One of the World’s Largest Zoological Collections.** We provide care for what we believe is one of the world’s largest zoological collections. We believe we are attractively positioned in the industry due to our highly unique zoological collection and ability to present our animals in a differentiated, interactive and educational manner. Through opportunities to explore and interact with these amazing animals in our parks, each year we educate millions of guests with the goal of inspiring them to care and protect animals and their habitats in the wild. Our commitment to these animals includes applying world-class standards of care while striving to provide habitats that promote their health. We also lead, partner with and/or sponsor research efforts that have provided and will continue to provide essential information and tools to help protect and sustain species in their natural habitats around the world. See the “—*Conservation & Community Relations*” section included elsewhere in this Annual Report on Form 10-K.
- **Strong Competitive Position.** Our competitive position is enhanced by the combination of our powerful brands, extensive zoological collection and expertise and attractive in-park assets located on valuable real estate. Our zoological collection and expertise, which have evolved over our six decades of caring for animals, would be extremely difficult and expensive to replicate. We have made extensive investments in new attractions and infrastructure and we believe that our theme parks are well capitalized (see the “—*Capital Improvements*” section included elsewhere in this Annual Report on Form 10-K for a discussion of our new rides and attractions). We believe that the limited supply of real estate suitable for theme park development coupled with high initial capital investment, long development lead-times and zoning and other land use restrictions constrain the number of large theme parks that can be constructed.

- **Proven and Experienced Management Team and Employees with Specialized Animal Expertise.** Our senior management team, currently led by Marc Swanson, Interim Chief Executive Officer, have an average tenure of approximately 16 years in relevant industries. The management team is comprised of highly skilled and dedicated professionals with wide ranging experience in theme park operations, zoological operations, product and business development, hospitality, finance and accounting. Additionally, our animal care team is among the most experienced and qualified in the world, making us a global leader in animal welfare, husbandry, enrichment, and veterinary care.
- **Proximity of Complementary Theme Parks.** Our theme parks are grouped in key locations near large population centers and/or tourism destinations across the United States, which allows us to realize revenue and operating expense efficiencies. Having complementary theme parks located within close proximity to each other also enables us to cross market and offer bundled ticket and vacation packages. In addition, closely located theme parks provide operating efficiencies including sales, marketing, procurement and administrative synergies as overhead expenses are shared among the theme parks within each region.
- **Significant Cash Flow Generation.** We believe that our disciplined approach to capital expenditures, cost management and working capital management historically has enabled us to generate significant annual operating cash flow, even in years of declining performance. In addition, typically five of our 12 theme parks are open year-round, which helps reduce seasonal cash flow volatility. Due to the temporary park closures and limited reopenings as a result of the COVID-19 pandemic, our cash flow in 2020 was materially impacted. We have taken significant actions to carefully manage our cash flow, reduce our costs and strengthen our liquidity as we navigate through this environment. For more details, refer to the “*Impact of Global COVID-19 Pandemic*” section.
- **Care for Our Community and the Natural World.** We are committed to the communities in which our theme parks are located and focus our philanthropic efforts in three areas: animal preservation and stewardship; youth development and education; and community initiatives that address environmental sustainability. Our theme parks inspire and educate children and guests of all ages through experiences that are educational, fun and meaningful. Additionally, our Sesame Place park was the first theme park in the world to have achieved the designation of Certified Autism Center from the International Board of Credentialing and Continuing Education Standards (the “IBCCES”).

In 2020, in response to the COVID-19 pandemic, we provided complimentary distance learning resources for students, teachers and parents to use as schools shifted to virtual classrooms. These resources included standards-aligned classroom activities, teacher’s guides, videos, and animal information books. By providing these distance learning resources, we were able to help families explore, discover, and stay connected virtually in a fun and inspiring environment even while our parks were temporarily closed.

We also partner with charities across the country whose values and missions are aligned with our own by providing financial support, in-kind resources, strategic guidance, and/or hands-on volunteer work. For example, we are one of the primary supporters and a corporate member of the SeaWorld & Busch Gardens Conservation Fund, a non-profit conservation foundation, which makes grants to wildlife research and conservation projects that protect wildlife and wild places worldwide. In addition, we operate one of the world’s most respected rescue programs for ill and injured marine animals, in collaboration with federal, state and local governments, and other members of accredited stranding networks, among others, with the goal of rehabilitating and returning them to the wild. For more than five decades, our animal experts have helped more than 38,000 ill, injured, orphaned and abandoned wild animals. We are committed to animal rescue, conservation research and education and invest millions annually in these efforts.

## Our Theme Parks

Our legacy started in 1959 with the opening of our first Busch Gardens theme park in Tampa, Florida. Since then, we have grown our portfolio of strong brands and strategically expanded across five states on approximately 2,000 acres of owned land and 190 acres of leased property in San Diego. Our theme parks offer guests a variety of exhilarating experiences, from animal encounters that invite exploration and appreciation of the natural world, to both thrilling and family-friendly rides, educational presentations and spectacular shows. Our theme parks are consistently recognized among the top theme parks in the world and rank among the most highly attended in the industry.

We generally locate our theme parks in geographic clusters, which we believe improves our ability to serve guests by providing them with a varied, comprehensive vacation experience and valuable multi-park pricing packages, as well as improving our operating efficiency through shared overhead costs. Our portfolio of branded theme parks includes the following names (see the theme park portfolio table which follows for more details on each of these parks and a summary of our recent awards and recognitions):

- **SeaWorld.** SeaWorld is widely recognized as the leading marine-life theme park brand in the world. Our SeaWorld theme parks rank among the most highly attended theme parks in the industry and offer up-close interactive experiences, educational presentations, special dining experiences, thrilling attractions and a variety of educational and entertainment offerings that immerse guests in the marine-life theme. We also offer our guests numerous animal encounters, including the opportunity to work with trainers and feed marine animals, as well as themed thrill and family-friendly rides and entertainment that creatively incorporate our one-of-a-kind zoological collection. We currently own and operate the following SeaWorld-branded theme parks:
  - *SeaWorld San Diego* is the original SeaWorld theme park and was founded in 1964 by four graduates from the University of California, Los Angeles (UCLA). SeaWorld San Diego spans 190 acres of waterfront property on Mission Bay in San Diego, California, is open year-round and is one of the most visited paid attractions in San Diego. SeaWorld San Diego is home to a number of attractions, including *Tidal Twister*, a first-of-its-kind dueling roller coaster which opened in 2019 and *Electric Eel*, a triple-launch steel roller coaster which opened in 2018. SeaWorld San Diego is ranked among the top 20 theme parks in North America, as measured by attendance (*TEA/AECOM 2019 Report*).
  - *SeaWorld Orlando* is a 279-acre theme park in Orlando, Florida, the world's largest theme park destination, and is open year-round. In 2019, SeaWorld Orlando opened *Sesame Street Land*, an immersive new land which includes kids wet and dry play areas, interactive experiences, fun family rides and a Sesame parade. SeaWorld Orlando is also home to a number of thrilling and family-friendly rides including *Infinity Falls*, a river rapid ride which opened in 2018 and *Mako*, a high-speed hyper coaster which opened in 2016. SeaWorld Orlando is ranked among the top 10 theme parks in North America, as measured by attendance (*TEA/AECOM 2019 Report*).
  - *SeaWorld San Antonio* is one of the world's largest marine-life theme parks, encompassing 397 acres in San Antonio, Texas. In 2020, prior to the temporary park closure, SeaWorld San Antonio opened *Texas StingRay*, the tallest, fastest and longest wooden coaster in Texas and in 2019 opened *Turtle Reef*, a one-of-a-kind sea turtle attraction, *Sea Swinger*, a thrilling swing ride, and *Riptide Rescue*, a family-friendly spinner ride.
- **Busch Gardens.** Our Busch Gardens theme parks are family-oriented destinations designed to immerse guests in international geographic settings. They are renowned for their thrill ride offerings as well as their beauty and cleanliness with award-winning landscaping and gardens. Our Busch Gardens theme parks allow our guests to discover the natural side of fun by offering a family experience featuring a variety of attractions, roller coasters, educational experiences and high-energy theatrical productions that appeal to all ages. We currently own and operate the following Busch Gardens theme parks:
  - *Busch Gardens Tampa Bay* is open year-round and features exotic animals, shows and both thrill and family-friendly rides on 306 acres of lush natural landscape. The zoological collection is a popular attraction for families, and the portfolio of rides broaden the theme park's appeal to teens and thrill seekers of all ages. In 2019, Busch Gardens Tampa Bay opened *Tigris*, a triple launch steel coaster that catapults riders forward and backward. Busch Gardens Tampa Bay is ranked among the top 20 theme parks in North America, as measured by attendance (*TEA/AECOM 2019 Report*).
  - *Busch Gardens Williamsburg*, a 422-acre theme park, is regularly recognized as one of the highest quality theme parks in the world, capturing dozens of awards over its history for attraction and show quality, design, landscaping, culinary operations and theming. Busch Gardens Williamsburg is home to a number of thrilling roller coasters and attractions including *Finnegan's Flyer* which opened in 2019 and *Battle for Eire* which opened in 2018.
- **Aquatica.** Our Aquatica-branded water parks are premium, family-oriented destinations in a South Seas-themed tropical setting. Aquatica water parks build on the aquatic theme of our SeaWorld brand and feature high-energy rides, water attractions, white-sand beaches and an innovative presentation of marine and terrestrial animals. We position our Aquatica water parks as companions to our SeaWorld theme parks and currently own and operate the following separately gated Aquatica branded theme parks:
  - *Aquatica Orlando* is an 81-acre South Seas-themed water park adjacent to SeaWorld Orlando that is open year-round. The water park features state-of-the-art attractions for guests of all ages and swimming abilities, including some that pass by or through animal habitats. In 2019, Aquatica Orlando opened *KareKare Curl*, a family tube water ride and in 2018 the park opened *Ray Rush*, a thrilling family raft slide. Aquatica Orlando is ranked #4 most attended water park in North America and #8 worldwide (*TEA/AECOM 2019 Report*) and was the first water park in the world to be designated a Certified Autism Center (*IBCCES, 2019*).
  - *Aquatica San Antonio* is an 18-acre water park located adjacent to SeaWorld San Antonio. The water park features a variety of waterslides, rivers, lagoons, a large beach area and private cabanas. In 2020, prior to the temporary park closure, Aquatica San Antonio opened *Tonga Twister*, a high energy body slide and in 2019, the park opened *Ihu's Breakaway Falls*, a multi-drop tower slide. Aquatica San Antonio is ranked #8 most attended water park in North America (*TEA/AECOM 2019 Report*).

- **Aquatica San Diego** is a 66-acre water park located in Chula Vista, California, near our SeaWorld San Diego theme park. The water park features a variety of waterslides, a lazy river, a wave pool with a large beach area and private cabanas. In October 2019, we announced we will convert Aquatica San Diego into our second Sesame Place standalone park in the spring of 2021. While construction began in the fall of 2019, it was temporarily paused due to the COVID-19 pandemic. We currently expect to open this park in 2022. We were unable to open Aquatica San Diego for its 2020 operating season. For more details, refer to the “—*Impact of Global COVID-19 Pandemic*” section and Note 15—Commitments and Contingencies in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.
- **Discovery Cove.** Located next to SeaWorld Orlando, Discovery Cove is a 58-acre, reservations only, all-inclusive marine life theme park that is open year-round to guests and features premium culinary offerings. The theme park restricts its attendance in order to assure a more intimate experience. Discovery Cove provides guests with a full day of activities, including the opportunity to interact with dolphins and sharks, snorkel with thousands of tropical fish, wade in a lush lagoon with stingrays and hand-feed birds in a free flight aviary. Discovery Cove was the first all-inclusive day resort and animal interaction park in the U.S. to be designated a Certified Autism Center (*IBCCES, 2019*).
- **Sesame Place.** Located on 55 acres near Philadelphia, Sesame Place is currently the only theme park in the United States entirely dedicated to the award-winning television show, Sesame Street, and its spirit of imagination. The theme park shares SeaWorld’s “education and learning through entertainment” philosophy and allows parents and children to experience Sesame Street together through whirling rides, water slides, colorful shows and furry friends. During 2020, in response to the COVID-19 pandemic and to provide our guests with alternative options to enjoy our park, we introduced a new drive-through event on select nights. See additional discussion concerning the license agreement with Sesame Workshop in the “—*Intellectual Property*” section included elsewhere in this Annual Report on Form 10-K. Sesame Place is the first theme park in the world to be designated as a Certified Autism Center (*IBCCES, 2018*). As mentioned above, Aquatica San Diego will be converted into our second Sesame Place standalone park which is expected to open in 2022. For more details, refer to Note 15—Commitments and Contingencies in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.
- **Water Country USA.** Located on 222 acres, Virginia’s largest family water park, Water Country USA, features state-of-the-art water rides and attractions, all set to a 1950s and 1960s surf theme. Water Country USA is located near Busch Gardens Williamsburg and in 2019 opened *Cutback Water Coaster*, Virginia’s first hybrid water coaster. Water Country USA is ranked #6 most attended water park in North America (*TEA/AECOM 2019 Report*). We were unable to open Water Country USA for the 2020 operating season. See additional discussion relating to park closures in the “—*Impact of Global COVID-19 Pandemic*” section included elsewhere in this Annual Report on Form 10-K.
- **Adventure Island.** Located adjacent to Busch Gardens Tampa Bay, Adventure Island is a 56-acre water park which features water rides, dining and other attractions that incorporate a Key West theme. Adventure Island is ranked #7 most attended water park in North America (*TEA/AECOM 2019 Report*). In 2020, prior to the temporary park closure, Adventure Island opened *Solar Vortex*, the first dual tailspin waterslide in North America.

The table which follows represents our theme park portfolio in 2019 and some of our recent awards and recognition. Due the COVID-19 pandemic, temporary park closures and operational modifications/limitations upon reopening, the 2020 theme park portfolio was significantly impacted and is not reflective of a typical operating year; therefore, the 2019 theme park portfolio is presented below.

Location	Theme Park	Year Opened	Awards/Recognition	2019 Theme Park Portfolio			
				Animal Habitats <sup>(d)</sup>	Rides <sup>(e)</sup>	Pro-grams <sup>(f)</sup>	Other <sup>(g)</sup>
Orlando, FL		1973	<ul style="list-style-type: none"> <li>Voted Orlando's Best Theme Park from 2016 through 2019 (<i>Orlando Sentinel</i>, 2016-2019)</li> <li>Ranked #1 Best Marine Life/Wildlife Park since the award's inception in 2006 (<i>Amusement Today</i>, 2006-2019)</li> <li>Ranked among top 10 amusement park in the U.S. and the world (<i>TripAdvisor</i>, 2019)</li> <li>Features <i>Sesame Street Land</i> which was awarded the Best New Amusement Park Attraction for 2019 (<i>USA Today</i>, 2020), <i>Mako</i> which ranked #2 Best Roller Coaster (<i>USA Today</i>, 2020) and #15 top steel roller coaster in the world, <i>Infinity Falls</i> which ranked #4 Best Water Ride of 2019 and <i>SeaWorld Christmas</i> which ranked #4 Best Christmas Event of 2018 (<i>Amusement Today</i>, 2019)</li> <li>Awarded two International Association of Amusement Parks and Attractions ("IAAPA") 2019 Brass Ring Awards (<i>IAAPA</i>)</li> </ul>	17	15	24	39
		2000	<ul style="list-style-type: none"> <li>Ranked #3 Best Marine Life/Wildlife Park in 2019 and 2017 and #4 in 2018 (<i>Amusement Today</i>, 2017-2019)</li> <li>Ranked among top two amusement parks in the world 2013-2017 (<i>TripAdvisor</i>, 2013-2017)</li> <li>Voted Best Marine Mammal Park (<i>Global Brands Magazine</i>, 2020)</li> </ul>	5	3	0	9
		2008	<ul style="list-style-type: none"> <li>Ranked among top 5 for Nation's Best Outdoor Waterpark from 2018 through 2020, including the #1 ranking in 2018 (<i>USA Today</i>, 2018-2020)</li> <li>Voted Orlando's Best Waterpark from 2016 through 2019 (<i>Orlando Sentinel</i> 2016-2019)</li> <li>Ranked among the top 25 water parks in the U.S. (<i>TripAdvisor</i>, 2019)</li> <li>Features <i>Ray Rush</i>, ranked #4 Best Water Park Ride of 2019 (<i>Amusement Today</i>, 2019)</li> </ul>	3	13	0	5
Tampa, FL		1959	<ul style="list-style-type: none"> <li>Ranked #5 for the Best Amusement Park for 2020 and features <i>Falcon's Fury</i> which ranked #1 Best Non-Roller Coaster ride for 2020, <i>Montu</i> which ranked in the top 10 for Best Roller Coaster for 2020, <i>Tigris</i> which ranked #3 Best New Amusement Park Attraction for 2019, <i>Turn It Up!</i> Show which ranked among top 5 Best Amusement Park Entertainment for 2019 and 2020 and <i>Christmas Town</i> which ranked #6 Best Theme Park Holiday Event (<i>USA Today</i>, 2019-2020)</li> <li>Ranked among top four Best Marine Life/Wildlife Park of 2019 and features 3 of the world's top 50 steel roller coasters (<i>Amusement Today</i>, 2019)</li> <li>Ranked among top 25 amusement parks in the U.S. (<i>TripAdvisor</i>, 2019-2020)</li> </ul>	16	29	15	50
		1980	<ul style="list-style-type: none"> <li>Ranked #8 and #9 for the Best Outdoor Waterpark in 2020 and 2019, respectively (<i>USA Today</i>, 2019-2020)</li> </ul>	0	12	0	5
San Diego, CA		1964	<ul style="list-style-type: none"> <li>Ranked among top three Best Marine Life Park from 2006 through 2018 (<i>Amusement Today</i>, 2006-2018)</li> <li>Features <i>Tidal Twister</i> which ranked #4 Best New Family Attraction of 2019 (<i>Amusement Today</i>, 2019) and #10 Best New Amusement Park Attraction for 2019 (<i>USA Today</i>, 2020)</li> <li>Awarded three IAAPA 2018 Brass Ring Awards and one in 2017 (<i>IAAPA</i>)</li> </ul>	28	16	17	26
		1996 <sup>(a)</sup>	<ul style="list-style-type: none"> <li>Located in Chula Vista, California, is expected to be converted into our second Sesame Place standalone park in 2022</li> </ul>	2 <sup>(h)</sup>	9 <sup>(h)</sup>	0 <sup>(h)</sup>	4 <sup>(h)</sup>
San Antonio, TX		1988	<ul style="list-style-type: none"> <li>Features <i>Texas Stingray</i> which was ranked #5 Best New Amusement Park Attraction for 2020 and <i>Turtle Reef</i> which was ranked #6 Best New Amusement Park Attraction for 2019 (<i>USA Today</i>, 2020-2021)</li> <li>Ranked among top four Best Marine Life Parks from 2006 through 2018 (<i>Amusement Today</i>, 2006-2018)</li> </ul>	9	12	30	43
		2016 <sup>(b)</sup>	<ul style="list-style-type: none"> <li>Ranked among top 15 water parks in the U.S. (<i>TripAdvisor</i> 2019)</li> </ul>	3	13	0	7
Williamsburg, VA		1975	<ul style="list-style-type: none"> <li>Ranked #3 for the Best Amusement Park for 2020 and features the <i>Celtic Fyre</i> show which was awarded the Best Amusement Park Entertainment for 2018 through 2020 and <i>Christmas Town</i> which ranked #8 Best Theme Park Holiday Event (<i>USA Today</i>, 2018-2020)</li> <li>Ranked among top 25 amusement parks in the U.S. (<i>TripAdvisor</i>, 2019-2020)</li> <li>Named the World's Most Beautiful Amusement Park for 30 consecutive years (<i>National Amusement Park Historical Association</i>, 2020)</li> <li>Awarded Most Beautiful Park/Best Landscaping each year since the category's inception in 1998 and features one of the world's top 50 wood roller coasters, <i>Invadr</i>, and three of the world's top 50 steel roller coasters, led by <i>Apollo's Chariot</i>, the #8 rated steel roller coaster in the world (<i>Amusement Today</i>, 1998- 2019)</li> </ul>	5	38	16	37
		1984	<ul style="list-style-type: none"> <li>Ranked #5 for the Best Outdoor Waterpark (<i>USA Today</i>, 2020)</li> <li>Ranked among top 25 water parks in the U.S. (<i>TripAdvisor</i> 2019-2020)</li> <li>Features the <i>Cutback Water Coaster</i> ride which was awarded the Best New Water Park Ride of 2019 (<i>Amusement Today</i>, 2019)</li> </ul>	0 <sup>(h)</sup>	18 <sup>(h)</sup>	0 <sup>(h)</sup>	7 <sup>(h)</sup>
Langhorne, PA		1980	<ul style="list-style-type: none"> <li>Ranked #2 Best Family Park of 2019 (<i>Amusement Today</i>, 2019) and features <i>Oscar's Wacky Taxi</i>, ranked among the top 5 Best New Rides of 2018 (<i>Amusement Today</i>, 2018)</li> <li>First theme park in the world to be designated as a Certified Autism Center (<i>IBCCES</i>, 2018)</li> </ul>	0	26	12	24
<b>Total<sup>(i)</sup></b>				<b>88</b>	<b>204</b>	<b>114</b>	<b>256</b>

- (a) This water park was acquired renovated, rebranded, and relaunched as Aquatica San Diego in June 2013. In 2022, this park is expected to be converted to the second Sesame Place standalone park.
- (b) Prior to 2016, Aquatica San Antonio was included in admission for SeaWorld San Antonio and did not have a separate gate. In 2016, Aquatica San Antonio was converted into a stand-alone, separate admission park that guests can access through an independent gate.
- (c) The 2019 theme park portfolio represents animal habitats, rides, shows and other offerings which were available to guests in 2019. Due the COVID-19 temporary park closures and operational modifications/limitations upon reopening, the 2020 theme park portfolio was significantly impacted and is not reflective of a typical operating year; therefore, the 2019 theme park portfolio is presented above.
- (d) Represents animal habitats without a ride or show element, often adjacent to a similarly themed attraction.
- (e) Represents mechanical dry rides, water rides and water slides (including wave pools and lazy rivers) which may include educational and/or conservation-related elements.
- (f) Represents annual and seasonal educational presentations, programs or shows with either animals, characters, live entertainment and/or 3-D or 4-D experiences.
- (g) Represents our 2019 portfolio for events, distinctive experiences and play areas, which collectively may include educational and/or conservation-related elements and may include special limited time events; distinctive experiences often limited to small groups and individuals and/or requiring a supplemental fee (such as educational tours, immersive dining experiences and interactions with animals); and pure play areas, typically designed for children or seasonal special events, often without a queue (such as water splash areas or Halloween mazes).
- (h) Due to the government restrictions related to the COVID-19 pandemic, Aquatica San Diego and Water Country USA were unable to open for the 2020 operating season.
- (i) The total number of animal habitats, rides, shows, presentations, events, distinctive experiences and play areas in our theme park portfolio varies seasonally.

### **Capital Improvements**

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

We previously announced a strong lineup of attractions which were scheduled to open in 2020 including 5 of the 10 most anticipated roller coasters of 2020 (*USA Today*, 2020). In order to manage costs and expenditures and to maximize liquidity in response to the temporary park closures and limited reopenings related to the COVID-19 pandemic, we substantially reduced or deferred all capital expenditures starting in March 2020 (other than minimal essential capital expenditures) when the parks were closed and postponed the opening of certain rides that were still under construction and scheduled to open in 2020. We were able to open certain new attractions in 2020 prior to the park closures including our award-winning *Texas Stingray* coaster at *SeaWorld San Antonio*. We are currently assessing the opening timelines for our new rides and attractions in light of capacity restrictions in place and may adjust our plans accordingly. We expect to open the following new rides and attractions in our parks:

- *Ice Breaker (SeaWorld Orlando)*: The first quadruple swing launch coaster in North America, featuring four airtime filled launches, both backwards and forwards, culminating in a reverse launch up a 93-foot vertical spike leading to the steepest beyond vertical drop in Florida.
- *Emperor (SeaWorld San Diego)*: The tallest, fastest, longest and first floorless dive coaster on the West Coast. After climbing more than 150 feet, the coaster car will dangle at a 45-degree angle before plunging into a 143-foot vertical drop that will accelerate riders to more than 60 miles per hour.
- *Iron Gwazi (Busch Gardens Tampa Bay)*: The tallest hybrid coaster in North America and the world's fastest and steepest hybrid coaster, with the world's tallest drop. Riders will climb more than 200 feet before plunging into a beyond vertical drop, reaching speeds of 76 miles per hour, and experiencing a dozen airtime moments.
- *Pantheon (Busch Gardens Williamsburg)*: The world's fastest multi-launch coaster, will accelerate riders to a speed of 73 miles per hour and will include a 95-degree drop, four launches, two inversions, 15 air-time moments and a height of 180 feet.
- *Riptide Race (Aquatica Orlando)*: The first dueling pipeline slide in the state of Florida that will send riders racing through nearly 650 feet of slide all while navigating tight turns and accelerations alongside their opponents.

- *Aquazoid Amped (Water Country USA)*: The first of its kind in Virginia, this new water slide experience will take guests in rafts through 59 fully enclosed color changing rings with dynamic sound spread over 219 feet of slide, providing a new thrill each time you ride.
- *Big Bird's Tour Bus (Sesame Place)*: The whole family will enjoy a ride on this oversized, red double-decker bus with Big Bird and some of his furry friends. The bus goes around and around with a Sesame Street-inspired cityscape as the backdrop.

#### *Ride Conservation Partnerships*

We are pleased to announce partnerships with the following conservation organizations in conjunction with our new and planned rides, including: the Alaska SeaLife Center on our new *Ice Breaker* ride which will highlight animal rescue and climate change in the Arctic region; Penguins International on our new *Emperor* ride which will focus on penguin awareness and conservation; the Harte Research Center at Texas A&M on our new *Texas Stingray* ride which focuses on habitat protection in the Gulf of Mexico; and the Wilderness Foundation Africa on our new *Iron Gwazi* ride which will highlight the plight of endangered African wildlife.

#### ***Safety, Maintenance and Inspection***

Safety is of utmost importance to us. Maintenance at our theme parks is a key component of safety and guest service and includes two areas of focus: (i) facilities and infrastructure and (ii) rides and attractions. Facilities and infrastructure maintenance consists of all functions associated with upkeep, repair, preventative maintenance, code compliance and improvement of theme park infrastructure. This area is staffed with a combination of external contractors/suppliers and our employees.

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

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

In addition to our day-to-day maintenance and inspection practices for the existing rides in our parks, before new rides are introduced to our guests, an extensive review of the ride, from design through installation, is conducted by the ride manufacturer, internal technical and operational experts, local authorities, as well as competent third party inspectors and engineers. Additionally, all new rides are analyzed according to a standardized, internal evaluation and acceptance process, which reviews, among other things, that the new ride operates safely and as intended, that the associated site and facility requirements for the ride operation are met, that the appropriate training of our employees is conducted, and that operational and maintenance procedures are documented.

#### ***Our Culture and Social Responsibility***

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

#### ***Animal Care and Rescue***

We provide care for one of the largest zoological collections in the world. Our commitment to these animals includes applying world-class standards of care, while striving to provide habitats that promote the health of the animals. During our temporary park closures due to the COVID-19 pandemic, essential personnel, including our animal care experts, continued to provide for the health, safety, and nutritional needs of all of the animals in our care. Our animal care team is among the most experienced and qualified in the world, making SeaWorld a global leader in animal welfare, husbandry, enrichment, and veterinary care.



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

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

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

We apply high quality and comprehensive animal care standards, and actively work to advance knowledge and improve standards. We do this by contributing to research and sharing our insights with other zoological organizations around the world. For example, our continued work to define the clinically normal, healthy ranges for key measures in marine animals in our parks has helped to establish and refine the standards used by many veterinarians to assess both wild and managed marine species. This ongoing research also includes defining the basic biology and physiology of animals in our population. The combined results of these continued research efforts have provided and will continue to provide essential information and tools to help formulate plans to protect species in their natural habitats.

We are also a leader in animal rescue. During the time we closed our parks in response to the COVID-19 pandemic, our animal rescue and rehabilitation operations continued to operate to help wildlife in need. Over the last five decades, through December 31, 2020, we have helped more than 38,000 ill, injured, orphaned or abandoned wild animals in need of our expert care. Working in partnership with state, local and federal agencies, our rescue teams are on call 24 hours a day, seven days a week, 365 days a year, including during our temporary park closures.

Our commitment to animals also extends beyond our theme parks and throughout the world. We actively participate in species conservation and rescue efforts as discussed in the “—*Conservation & Community Relations*” section which follows.

### ***Conservation and Community Relations***

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

We support conservation organizations such as the Killer Whale Research and Conservation Program, in partnership with the National Fish and Wildlife Foundation, to study and protect endangered killer whales in the wild, with a particular focus on the Southern Resident killer whale population found off the coast of Washington. Another example is a partnership with marine wildlife artist and conservationist Guy Harvey focused on ocean health and the plight of sharks in the wild. We also continue to support the Hubbs-SeaWorld Research Institute, which was started over 55 years ago by one of SeaWorld’s founders and remains a world-renowned scientific research organization committed to conserving and renewing marine life to ensure a healthier planet.

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

### ***Sustainable Operations***

Environmental conservation is implicit in our purpose. To thrive, animals need vibrant ecosystems and healthy habitats. We understand the adverse effects of human behavior and climate change on ecosystems and the animals who call them home; therefore, we are constantly working to minimize the footprint of our operations. As a part of our commitment to conservation, we have invested in numerous projects to reduce our energy and water use and the amount of waste we generate. For example, in 2019, the first full year of the elevated solar panel project at Aquatica San Diego, the panels generated nearly 100% of the park's annual energy use.

We believe our parks have some of the most advanced and efficient water purification systems in the world, which provide the optimum environment for our marine life. We leverage this knowledge to reclaim and recycle wastewater for reuse, thereby decreasing our consumption of fresh water. We have also implemented a range of other water conservation efforts across our parks, including a natural biofiltration system in 2019 at SeaWorld San Antonio, which is the first of its kind in a zoological setting. Many of our water conservation efforts incorporate lessons from our facilities in San Diego and San Antonio, which, driven in part by drought conditions, have found innovative opportunities to harvest rainwater, reuse water for cooling buildings, and adapt landscaping to require less water. We continually look for new ways to reduce water use in our parks and to support water conservation projects elsewhere.

We see the impacts of marine debris and litter along shorelines and in coastal waters, estuaries, and oceans – a visible reminder of the need to reduce waste. We have implemented programs to generate less waste in our parks and to increase our recycling efforts. For example, in 2019, we replaced polystyrene foam dinnerware products with products made from 100% recycled materials at all of our parks. We also have removed all single use plastic drinking straws and shopping bags, have an extensive recycling infrastructure in place in all our parks and actively encourage our guests to recycle. Several of our parks have been externally recognized for their recycling programs. In 2018, for example, SeaWorld San Diego was selected by the City of San Diego's Environmental Services Department as a "Recycler of the Year" – the 20<sup>th</sup> time the park has received this award. We raise awareness with our employees and guests about the need for all of us to do our part to address this global challenge.

### ***Responsible Sourcing***

Corporate responsibility extends to how we source the goods and services needed to operate our parks and to serve our guests. We have established a Responsible Food Sourcing Policy, which outlines our commitment to partner with food suppliers that deliver products that meet or exceed sustainable, healthy and humane food standards. For example, our parks have converted to 100% cage-free eggs. We have also made a variety of commitments related to the sourcing of particular products. We have also set a goal of purchasing from suppliers that have announced a commitment and published targets to convert to group-housed humane farming. In response to growing guest demand, we have also taken steps to expand the number of plant-based food offerings on our menus across our parks. As part of these efforts, in 2019, we added a sustainable, plant-based burger to our menus at all of our parks. We have also taken additional steps, where possible, to identify and partner with brands and products in our parks which share our commitment to giving back to communities, animals, and / or our broader environment.

### ***Human Capital Management***

We have a diverse and mission-driven team of employee Ambassadors. Our team makes it possible each day to provide our guests with experiences that matter and to inspire them to protect animals and the wild wonders of our world. As of December 31, 2020, we employed approximately 2,300 full-time employees and approximately 8,200 part-time and seasonal employees. During our peak operating season in 2020, we employed additional part-time and seasonal employees, including high school and college students. Due to the temporary park closures and limited reopenings related to the COVID-19 pandemic, the number of employees and the mix of employees in 2020 was impacted as parks are operating with limited capacity and limited operating days and/or hours. None of our employees are covered by a collective bargaining agreement.

Our focus on recruiting and developing diverse talent has resulted in a management team that is approximately 50% female and 40% of a minority ethnicity. Similarly, our overall workforce is 53% women and 50% of a minority ethnicity. We don't simply view diversity as a target, but rather a continual commitment to focus on creating the best and most inclusive workplace possible by recognizing and celebrating our unique backgrounds.

We strive to provide our Ambassadors with a competitive compensation package using market data including comprehensive benefits. We provide market-competitive benefits including health, dental, vision, disability, life insurance, retirement, paid time-off, complimentary tickets and various other benefits.

In response to the unprecedented COVID-19 pandemic and for the safety of our Ambassadors, we implemented new procedures which included remote work places when possible, social distancing, daily temperature checks, COVID-19 specific training and contact tracing to help protect our employees from the spread of the virus.

Safety is not just important as it relates to the COVID-19 pandemic. We provide training and require certifications for certain positions. We routinely review all procedures and safety requirements to promote a safe working environment for our Ambassadors, guests and animals.

We believe that working for our Company is more than a job – it is a commitment to the protection of animals and the wild wonders of our world, while also providing a fun and meaningful experience for our guests that will be remembered long after they leave our parks. We create memories that matter. Our human capital programs, policies, and initiatives will continue to reinforce this belief in the years ahead.

## **Our Products and Services**

### ***Admission Tickets***

We generate most of our revenue from selling admission to our theme parks. We engage with travel agents, ticket resellers and travel agencies, and directly with our guests through our websites and social media, to promote advanced ticket sales and provide guest convenience and ease of entry.

Guests who visit our theme parks have the option of purchasing multiple types of admission tickets, from single and multi-day tickets to season or annual passes. In addition, visitors can purchase vacation packages with preferred hotels, behind-the-scenes tours and educational animal encounters, specialty dining packages, and front of the line “Quick Queue” access to enhance their experience. We actively use pricing and promotions to manage capacity and maximize revenue. We utilize demand-based pricing for select peak time periods at some of our parks, advance purchase discounts to encourage early commitment, and seasonal pricing models to drive demand in non-peak time periods. Additionally, in 2020, we introduced an online reservation system to help manage capacity and we are managing the number of operating days, operating hours and staffing needs by park to optimize cash flow.

### ***Culinary Offerings***

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

### ***Merchandise***

We offer guests the opportunity to capture memories through our products and services, including through traditional retail shops, game venues and customized photos. We make a focused effort to leverage the emotional connection of the theme park experiences, capitalize on trends, and optimize brand alignment with our merchandise product offerings. In-park games are designed with the goal of creating positive family experiences for guests of every age. Our merchandise teams also focus on making a visit to our theme parks easy, convenient, and comfortable. This includes offering lockers or service vehicle rentals such as strollers, electric personal carts and wheelchairs.

### ***Consumer Products and Licensing***

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

## ***Group Events***

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

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

As a result of the COVID-19 pandemic and the related impacts on the travel industry, group events in 2020 were impacted. See the "*Impact of Global COVID-19 Pandemic*" and "*Risk Factors*" sections included elsewhere in this Annual Report on Form 10-K for further discussion of the adverse impacts of the COVID-19 pandemic on our business and financial performance.

## ***Corporate Sponsorships and Strategic Alliances***

We seek to secure long-term corporate sponsorships and strategic alliances with leading companies and brands that share our core values, deliver significant brand value, and influence and drive mutual business gains. We identify prospective corporate sponsors based on their industry and industry-leading position, and we select them based on their ability to deliver impactful value to our theme parks and our brands, as well as to consumer products and various entertainment platforms. Our corporate sponsors contribute to us in a multitude of ways, such as through direct marketing, advertising, media exposure and licensing opportunities, as well as through contributions to the non-profit SeaWorld & Busch Gardens Conservation Fund. Also see additional discussion concerning our conservation partnerships, such as Guy Harvey, in the "*Conservation and Community Relations*" section included elsewhere in this Annual Report on Form 10-K.

## ***Seasonality***

See the seasonality discussion in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section included elsewhere in this Annual Report on Form 10-K.

## ***Our Markets, Guests and Customers***

Our theme parks are entertainment venues with broad demographic appeal and are located near a number of large metropolitan areas, including 6 of the 10 most populous metropolitan areas in the United States and 8 of the top 25 Best Destinations in the United States (*U.S. Census, 2020; TripAdvisor, 2020*). Additionally, because our theme parks are divided between regional and destination theme parks, historically our guests have included local visitors, non-local domestic visitors and international visitors. As a result of the COVID-19 pandemic and the related impacts, travel from domestic and international markets were impacted in 2020. See the "*Impact of Global COVID-19 Pandemic*" and "*Risk Factors*" sections included elsewhere in this Annual Report on Form 10-K for further discussion.

## ***Intellectual Property***

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

### ***Busch Gardens License Agreement***

Our subsidiary, SeaWorld Parks & Entertainment LLC, is a party to a trademark license agreement with ABI, which governs our use of the Busch Gardens name and logo. Under the license agreement, ABI granted to us a perpetual, exclusive, worldwide, royalty-free license to use the Busch Gardens trademark and certain related domain names in connection with the operation, marketing, promotion and advertising of our theme parks, as well as in connection with the production, use, distribution and sale of merchandise sold in connection with such theme parks.

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

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

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

### ***Sesame License Agreement***

Our wholly-owned subsidiary, SeaWorld Parks & Entertainment, Inc. ("SEA"), is a party to a license agreement with Sesame, a New York not-for-profit corporation. The License Agreement extends SEA's status as Sesame's exclusive theme park partner in the United States, Puerto Rico, and the U.S. Virgin Islands (the "Sesame Territory"), with a second Sesame Place® theme park scheduled to open no later than mid-2021. On October 21, 2019, we announced that we will open our second Sesame Place theme park at the site of the current Aquatica San Diego in the spring of 2021. While construction began in the fall of 2019, it was temporarily paused due to the COVID-19 pandemic. We currently expect to open this park in 2022. After the opening of Sesame Place San Diego, we will have the option to build additional Sesame Place theme parks in the Sesame Territory.

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

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

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

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

## International Development Strategy

We believe that in addition to the growth potential that exists domestically, our brands can also have significant appeal in certain international markets. We continue to make progress in our partnership with Miral Asset Management LLC to develop SeaWorld Abu Dhabi, a first-of-its-kind marine life themed park on Yas Island (the “Middle East Project”). As part of this partnership, we are providing certain services pertaining to the planning and design of the Middle East Project, with funding received from our partner in the Middle East expected to offset our internal expenses. Construction for the Middle East Project is on track and scheduled to be completed by the end of 2022.

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

## Our Industry

In 2020, the COVID-19 pandemic severely impacted the theme park industry causing complete shutdowns or extended periods of closure. Some theme parks have chosen to partially reopen with capacity limitations and enhanced safety protocols, which have allowed them to resume operations but with lower levels of attendance. With the widespread introduction and reception of vaccines to fight COVID-19, we believe the industry will eventually return to its pre-COVID-19 levels of significant cash flow generation and growth. We believe that the theme park industry is an attractive sector characterized by a proven business model that over the long-term generates significant cash flow and has avenues for growth. Theme parks offer a strong consumer value proposition, particularly when compared to other forms of out-of-home entertainment such as concerts, sporting events, cruises and movies. As a result, theme parks attract a broad range of guests and generally exhibit strong operating margin across regions, operators, park types and macroeconomic conditions.

## Competition

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

Competition is based on multiple factors including location, price, the originality and perceived quality of the rides and attractions, the atmosphere and cleanliness of the theme park, the quality of food and entertainment, weather conditions, ease of travel to the theme park (including direct flights by major airlines), availability and cost of transportation to a theme park, industry best practices and perceptions as to safety. As a result of the COVID-19 pandemic, we believe the level of attendance at theme parks has been and will continue to be impacted by public concerns over the COVID-19 pandemic, the number of reported local cases of COVID-19, travel restrictions, federal, state and local regulations related to public places, limits on social gatherings and overall public safety sentiment.

We believe we can compete effectively, due to our strong brand recognition, unique and extensive zoological collection, diversity of product offerings and locations, targeted capital investments, guest sentiment related to our rescue and conservation efforts, and valuable real estate. Additionally, we believe that our theme parks feature a sufficient quality and variety of rides and attractions, educational and interactive experiences, merchandise locations, restaurants and family orientation to make them highly competitive with other destination and regional theme parks, as well as other forms of entertainment.

## Regulatory

Our operations are subject to a variety of federal, state and local laws, regulations and ordinances including, but not limited to, those regulating the environment, display, possession and care of our animals, amusement park rides, building and construction, health and safety, labor and employment, workplace safety, zoning and land use and alcoholic beverage and food service. As a result of the COVID-19 pandemic, we have had to comply with rapidly changing local, state and federal rules, orders and regulations. Key statutes and treaties relating to the display, possession and care of our zoological collection include the Endangered Species Act, Marine Mammal Protection Act, Animal Welfare Act, Convention on International Trade in Endangered Species and Fauna Protection Act and the Lacey Act. We must also comply with the Migratory Bird Treaty Act, Bald and Golden Eagle Protection Act, Wild Bird Conservation Act and National Environmental Policy Act, among other laws and regulations. We believe that we are in compliance with applicable laws, regulations and ordinances; however, such requirements may change over time, and there can be no assurance that new requirements, changes in enforcement policies or newly discovered conditions relating to our properties or operations will not require significant expenditures in the future.

### Recent Regulatory Developments

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service ("APHIS") released a proposed rule on February 3, 2016 to amend the Animal Welfare Act regulations concerning the humane handling, care and treatment of marine mammals in captivity (the "Proposed APHIS Regulations"). The Proposed APHIS Regulations were subject to public comment which ended on May 4, 2016. We submitted a comment letter to APHIS expressing our views on the Proposed APHIS Regulations. The full impact of the Proposed APHIS Regulations on our business will not be known until the Proposed APHIS Regulations are finalized. These Proposed APHIS Regulations were not listed as a priority for APHIS indicating that the agency did not plan any further action at that time on the matter. However, there can be no assurance that APHIS will not propose or enact regulations that could materially impact the Company in the future.

In December 2020, the Office of Information and Regulatory Affairs released its latest Semiannual Unified Agenda of Federal Regulatory and Deregulatory Actions for Fall 2020 (the "Fall 2020 Unified Agenda"). APHIS did include on the Fall 2020 Unified Agenda a notice that it was planning to release a Notice of Proposed Rulemaking in or around June 2021 related to contingency plans for the handling of animals. This rulemaking would amend Animal Welfare Act regulations to add requirements for contingency planning and training of personnel by research facilities and by dealers, exhibitors, intermediate handlers, and carriers. APHIS says this action would heighten the awareness of licensees and registrants regarding their responsibilities and help ensure a timely and appropriate response should an emergency or disaster occur. Likewise, the full impact of these Proposed APHIS Regulations on our business will not be known until the Proposed APHIS Regulations are released.

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

We face a rapidly changing regulatory environment across our business, including responses to COVID-19, wages and hour regulations, employee health and benefit requirement and the policy agenda of the new U.S. President and his administration to name a few. For more detailed discussion, see the "Impact of Global COVID-19 Pandemic" section and the following under the "Risk Factors" section included elsewhere in this Annual Report on Form 10-K, *"The COVID-19 pandemic has disrupted our business and will adversely affect our results of operations and various other factors beyond our control could materially adversely affect our financial condition and results of operations; Increased labor costs and employee health and welfare benefits may negatively impact our operations; and The policies of the recently elected U.S. President and his administration or any changes to tax laws may result in a material adverse effect on our business, cash flow, results of operations or financial condition and may impact our ability to use our net operating loss carryforwards."*

## Insurance

We maintain insurance of the type and in the amounts that we believe to be commercially reasonable for businesses in our industry. We maintain primary and excess casualty coverage of up to \$100.0 million. As part of this coverage, we retain deductible/self-insured retention exposures consistent with our normal expected losses related to general liability claims, automobile liability and workers' compensation claims. We maintain employers' liability and all coverage required by law in the states in which we operate. Defense costs are included in the insurance coverage we obtain against losses in these areas. Based upon our historical experience of reported claims and an estimate for incurred-but-not-reported claims, we accrue a liability for our deductible/self-insured retention contingencies regarding general liability, automobile liability and workers' compensation exposures. We maintain additional forms of special casualty coverage which we believe is appropriate for our business. We also maintain commercial property coverage against fire, natural perils, so-called "extended coverage" perils such as civil commotion, business interruption and terrorism exposures for protection of our real and personal properties (other than land). We generally renegotiate our insurance policies on an annual basis. We cannot predict the amounts of premium cost that we may be required to pay for future insurance coverage, the level of any deductibles/self-insured retentions or co-insurance we may retain applicable thereto, the level of aggregate excess coverage

available, the availability of coverage for special or specific risks or whether the amount of insurance will be sufficient to cover all actual perils that may occur. For example, we expect that most of our losses related to the impacts of the *COVID-19* pandemic will not be covered by insurance available to us and/or insurers may contest coverage.

## Corporate History

Our legacy started in 1959 with the opening of our first Busch Gardens theme park in Tampa, Florida. Since then, we have grown our portfolio of strong brands and strategically expanded across five states. On December 1, 2009, investment funds affiliated with The Blackstone Group L.P. and certain co-investors, through SeaWorld Entertainment, Inc. and its wholly owned subsidiary, SeaWorld Parks & Entertainment, Inc. (“SEA”), acquired 100% of the equity interests of Sea World LLC (f/k/a Sea World, Inc.) and SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) from certain subsidiaries of Anheuser-Busch Companies, Inc. We refer to this acquisition and related financing transactions as the “2009 Transactions.” SeaWorld Entertainment, Inc. was incorporated in Delaware on October 2, 2009 in connection with the 2009 Transactions and changed its name from SW Holdco, Inc. to SeaWorld Entertainment, Inc. in December 2012. We completed our initial public offering (the “IPO”) in April 2013 and our common stock is listed on the New York Stock Exchange under the symbol “SEAS”.

On May 8, 2017, an affiliate of ZHG Group, Sun Wise (UK) Co., LTD. (“ZHG”) acquired approximately 21% of the then outstanding shares of our common stock from certain affiliates of Blackstone (the “Seller”), pursuant to a Stock Purchase Agreement between ZHG and the Seller (the “Stock Purchase Agreement”). ZHG pledged such shares in connection with certain loan obligations of ZHG (the “Pledged Shares”). ZHG subsequently defaulted on such loan obligations and, as a result, certain lenders (the “Lenders”) foreclosed on the Pledged Shares and, accordingly, the Pledged Shares were transferred to a security agent for the Lenders (the “Security Agent”), on May 3, 2019. On May 27, 2019, the Security Agent entered into a share repurchase agreement with us pursuant to which the Security Agent agreed to sell and we agreed to purchase 5,615,874 of the Pledged Shares held by the Security Agent (the “SEAS Repurchase”). On May 27, 2019, the Security Agent also entered into a stock purchase agreement with Hill Path Capital LP (“Hill Path”) and certain of its affiliates pursuant to which the Security Agent agreed to sell and certain affiliates of Hill Path agreed to purchase, in the aggregate, 13,214,000 of the Pledged Shares held by the Security Agent. The purchase closed on May 30, 2019. As of December 31, 2020, Hill Path owned approximately 34.7% of our total outstanding common stock.

See further discussion in Note 17—Related-Party Transactions to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## Available Information

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

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

## Website and Social Media Disclosure

We use our websites ([www.seaworldentertainment.com](http://www.seaworldentertainment.com) and [www.seaworldinvestors.com](http://www.seaworldinvestors.com)) and at times our corporate Twitter account (@SeaWorld) as well as other park specific social media channels to distribute 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](http://www.seaworldinvestors.com). The contents of our website and social media channels are not, however, a part of this Annual Report on Form 10-K.



## Item 1A. Risk Factors

### Risk Factor Summary

We are providing the following summary of the risk factors contained in our Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage our stockholders to carefully review the full risk factors contained in this Form 10-K in their entirety for additional information regarding the risks and uncertainties that could cause our actual results to vary materially from recent results or from our anticipated future results.

#### Risks Related to Our Business and Our Industry

- *The COVID-19 pandemic has disrupted our business and will adversely affect our results of operations and various other factors beyond our control could materially adversely affect our financial condition and results of operations.*
- *We are subject to complex federal and state regulations governing the treatment of animals, which can change, and to claims and lawsuits by activist groups before government regulators and in the courts.*
- *We are subject to scrutiny by activist and other third-party groups and/or media who can pressure governmental agencies, vendors, partners, and/or regulators, bring action in the courts or create negative publicity about us.*
- *Various factors beyond our control could adversely affect attendance and guest spending patterns at our theme parks.*
- *Incidents or adverse publicity concerning our theme parks, the theme park industry or zoological facilities generally could harm our brands or reputation as well as negatively impact our revenues and profitability.*
- *We could be adversely affected by a decline in discretionary consumer spending or consumer confidence.*
- *A significant portion of our revenues are historically generated in the States of Florida, California and Virginia. Any risks affecting such markets, such as natural disasters, severe weather and travel-related disruptions or incidents, may materially adversely affect our business, financial condition and results of operations.*
- *Our operating results are subject to seasonal fluctuations.*
- *Because we operate in a competitive industry, our revenues, profits or market share could be harmed if we are unable to compete effectively.*
- *Featuring animals at our theme parks involves risks.*
- *Animals in our care are important to our theme parks, and they could be exposed to infectious diseases.*
- *The high fixed cost structure of theme park operations can result in significantly lower margins if revenues decline.*
- *Changes in consumer tastes and preferences for entertainment and consumer products could reduce demand for our entertainment offerings and products and adversely affect the profitability of our business.*
- *Cyber security risks and the failure to maintain the integrity of internal or guest data could result in damages to our reputation, the disruption of operations and/or subject us to costs, fines or lawsuits.*
- *Technology interruptions or failures that impair access to our websites or information technology systems could adversely affect our business or operations.*
- *Increased labor costs and employee health and welfare benefits may negatively impact our operations.*
- *Our growth strategy may not achieve the anticipated results.*
- *We may not be able to fund theme park capital expenditures and investment in future attractions and projects.*
- *Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.*
- *Our intellectual property rights are valuable, and any inability to protect them could adversely affect our business.*
- *We may be subject to claims for infringing the intellectual property rights of others, which could be costly and result in the loss of significant intellectual property rights.*
- *If we lose licenses and permits required to exhibit animals and/or violate laws and regulations, our business will be adversely affected.*
- *If we lose key personnel, our business may be adversely affected.*
- *Unionization activities or labor disputes may disrupt our operations and affect our profitability.*
- *Our business depends on our ability to meet our workforce needs.*

- *We may not realize the benefits of developments, restructurings, acquisitions or other strategic initiatives and we may incur significant costs associated with such activities.*
- *If we are unable to maintain certain commercial licenses, our business, reputation and brand could be adversely affected.*
- *Our existing debt agreements contain, and future debt agreements may contain, restrictions that may limit our flexibility in operating our business.*
- *Changes to, or the elimination of, LIBOR may adversely affect interest expense related to our indebtedness.*
- *Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets.*
- *Our leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.*
- *Our insurance coverage may not be adequate to cover all possible losses that we could suffer, and our insurance costs may increase.*
- *We may be unable to purchase or contract with third-party manufacturers for our theme park rides and attractions, or construction delays may occur and impact attraction openings.*
- *Our operations and our ownership of property subject us to environmental requirements, and to environmental expenditures and liabilities.*
- *Delays, restrictions, or inability to obtain or maintain permits for capital investments could impair our business.*
- *Financial distress experienced by our strategic partners or other counterparties could have an adverse impact on us.*
- *Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.*
- *Changes to tax laws may result in a material adverse effect on our business, cash flow, results of operations or financial condition.*
- *Tariffs or other trade restrictions could adversely impact our business, financial condition and results of operations.*
- *Actions of activist stockholders, and such activism could adversely impact the value of our securities.*
- *Affiliates of Hill Path Capital LP could be able to significantly influence our decisions and their interests may conflict with ours or yours in the future.*
- *The policies of the recently elected U.S. President and his administration or any changes to tax laws may result in a material adverse effect on our business, cash flow, results of operations or financial condition and may impact our ability to use our net operating loss carryforwards.*

#### **Risks Related to Ownership of Our Common Stock**

- *Our stock price may change significantly, and you may not be able to sell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.*
- *We cannot guarantee that our allocation of capital to various alternatives will enhance long-term stockholder value, and in some cases, our Share Repurchase Program could increase the volatility of the price of our common stock.*
- *Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline.*
- *Our indebtedness could limit our ability to pay dividends on our common stock in the future.*
- *Anti-takeover provisions in our organizational documents could delay or prevent a change of control.*
- *The concentration of ownership of our capital stock limits your ability to influence corporate matters.*
- *Non-U.S. holders who own or owned more than a certain ownership threshold may be subject to United States federal income tax on gains realized on the disposition of our common stock.*

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

## **Risks Related to Our Business and Our Industry**

***The COVID-19 pandemic has disrupted our business and will adversely affect our results of operations and various other factors beyond our control could materially adversely affect our financial condition and results of operations.***

In response to the COVID-19 pandemic, quarantines, significant travel warnings and restrictions, social distancing rules, curfews and shelter-in-place have been implemented and may be re-implemented pursuant to federal, state and local orders and mandates. From March 16, 2020 to June 5, 2020, we temporarily closed all of our theme parks and therefore, did not generate revenue from our parks during the closure period. Beginning on June 6, 2020, we began the phased reopening of some of our parks. Although some of our parks have been permitted to re-open with limited capacity, the extent and duration of any negative impacts over the longer term remain uncertain and dependent on future developments that cannot be accurately predicted at this time. It is also impossible to predict the severity and transmission rate of COVID-19, the impact of any mutations of the virus, the extent and effectiveness of any vaccine or containment actions taken, and the impact of these and other factors on travel and consumer behavior. It is possible that the spread of COVID-19, the resulting economic and societal impact, social distancing or other safety requirements existing today or that may be implemented will reduce our guests’ interest or ability to visit our theme parks. The COVID-19 pandemic and the actions taken in response, pose the risk that we or our employees, contractors, suppliers, and other business partners may be prevented from conducting business activities for an unknown period of time. Restrictions on travel, quarantines and other measures imposed in response to the COVID-19 pandemic, as well as ongoing concern regarding the virus’ potential impact, have had and will likely continue to have a negative effect on economies and financial markets, including supply chain shortages and additional business disruptions. Any such impacts could have a material adverse effect on our business.

In response to our park closures, we took steps to minimize our cash outflows, manage costs and expenditures and maximize liquidity. Some of these measures included, but were not limited to (i) substantially reduced or deferred all capital projects while our parks were closed other than a minimal amount of essential projects and maintenance and postponed the opening of rides that were still under construction and scheduled to open in 2020; (ii) eliminated and/or deferred all non-essential operating expenses at all of our parks and corporate headquarters while the parks were closed and actively managing operating expenses; (iii) eliminated substantially all advertising and marketing spend while the parks were closed and strategically managing marketing spend as parks reopen; (iv) temporarily reduced Executive Officer base pay by 20% through November 2020; (v) worked with certain vendors and other business partners to manage, defer, and/or abate certain costs and payments; and (vi) initially furloughing approximately 95% of our employees upon closing all of our parks. It is unclear if any of these actions could have a lasting negative impact on our relationships with vendors, current and/or future business partners or ambassadors or, if parks are forced to close again, whether we will be forced to take similar actions and be able to achieve similar cost savings. We have been sued and may face additional lawsuits or damage to our reputation related to actions taken or not taken as a result of COVID-19 from current and/or future vendors, customers and/or ambassadors. The lawsuits could negatively impact our cash flows and results of operations; however none have been material to date. Also, another prolonged closure of our parks could materially impact our results, operations and financial condition. Additionally, due to the uncertainties created by the COVID-19 pandemic and the related impact on our business, we have made or may make future employment or restructuring decisions which may subject us to increased risks related to employment matters, including increased union organizing activity, litigation and/or claims for severance or other benefits.

In March 2020, we increased borrowings under our revolving credit facility as a precautionary measure to increase our cash position and in April 2020 we issued \$227.5 million aggregate principal amount of 8.750% first-priority senior secured notes due 2025 to raise capital and provide additional liquidity for a sustained period and to preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 pandemic. Additionally, we entered into amendments to our Amended Credit Agreement to amend certain provisions therein. Pursuant to the most recent amendment, we will be exempt from complying with our first lien secured leverage ratio covenant through the end of 2021 and will be required to comply with a quarterly minimum liquidity coverage test (defined as unrestricted cash and cash equivalents and available commitments under the Revolving Credit Facility) of not less than \$75.0 million until the earlier of September 30, 2022 or the date we elect to use actual Adjusted EBITDA for purposes of calculating our financial maintenance covenant. There is no certainty we will be able to meet this test and failure to meet this test could result in events of default under our debt agreements, acceleration of our outstanding debt and materially affect our financial condition and results of operations. On August 5, 2020, we issued \$500.0 million of 9.500% second-priority senior secured notes due 2025 which provided us with net proceeds of approximately \$489.9 million. As of December 31, 2020, total unrestricted cash and cash equivalents was approximately \$433.9 million and \$311.3 million was available under our revolving credit facility.

We cannot be certain that we will continue to have access to sufficient liquidity to meet our obligations for the time required to allow our cash generating operations to normalize. The effect of COVID-19 on the capital markets could significantly impact our cost of borrowing and the availability of capital to us. COVID-19 also makes it more challenging for management to estimate the future performance of our business and/or our liquidity needs, particularly over the near to medium term. We may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies, and business partners may not be adequate and may include onerous terms.

We had never previously experienced a complete cessation of our operations, and as a consequence, our ability to be predictive regarding the impact of such a cessation on our operations and future prospects is uncertain. In addition, the magnitude, duration and speed of the global pandemic is uncertain. As a consequence, we cannot estimate the impact on our business, financial condition or near or longer-term financial or operational results with certainty. As we continue to make progress in the reopening of our theme parks, we may face additional costs and obstacles in complying with any new federal, state or local regulations or industry best practices established in response to the COVID-19 pandemic, re-integrating our furloughed employees and attracting guests who may not wish to travel or visit our theme parks for a prolonged period. In addition, any measures we take or may be required to take such as limiting capacity in our theme parks, enforcing social distancing requirements and / or requiring masks, may negatively impact attendance at our theme parks. It is not possible to predict what steps, if any, we may be required to take if the COVID-19 pandemic worsens.

It is possible we could be forced to close some or all of our parks again. In fact, in compliance with revised state government restrictions issued late in the fourth quarter in California, we once again closed our SeaWorld park in California effective December 7, 2020. Any of these factors could have a material adverse effect on our revenue and results of operations. A single case of COVID-19 in a theme park could result in additional costs and further closures. If we do not continue to respond appropriately to the pandemic, or if customers do not perceive our response to be adequate, we could suffer damage to our reputation, which could significantly adversely affect our business. Furthermore, the effects of the pandemic on our business could be long-lasting and could continue to have adverse effects, some of which may be significant, and which may indefinitely impact our ability to operate our business in the traditional, pre-pandemic manner.

Our business also could be significantly affected should the disruptions caused by COVID-19 lead to systemic changes in consumer behavior. The outbreak of COVID-19 has significantly increased economic uncertainty. It is possible that the current outbreak or continued spread of COVID-19 could cause a global recession, which could further adversely affect our business, and such adverse effects may be material. Further, our results of operations and financial condition would be negatively impacted if we experience another prolonged period of closure, experience significant declines in business volumes, are unable to return to normalized performance levels or attendance at our parks is limited due to capacity restrictions.

Our properties are subject to the risk that operations could be halted for a temporary or extended period of time. If there is a prolonged disruption at any of our properties, our business, financial condition, results of operations and prospects will likely be materially adversely affected. Additionally, if a prolonged downturn of general economic or other conditions in the areas in which our properties are located or from which we draw our guests or prevents guests from easily coming to our properties, our business, financial condition, results of operations and prospects will be materially adversely affected.

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

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

In 2016, the California Orca Protection Act was enacted into law and (i) codified the end of captive breeding programs and the export and import of genetic materials for orcas in California, (ii) prohibits the import or export of new orcas into or existing orcas out of California, (iii) permits the transfer of orcas currently in California among existing SeaWorld facilities and (iv) requires educational presentations of orcas in California. We introduced new orca programs in our San Diego park in 2017 which are consistent with these standards. In the past, Congress has proposed legislation that would have impacted the breeding, the taking (wild capture), and the import or export of orcas for the purposes of public display and the transport of orcas from one park to another. Also, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service ("APHIS") has proposed regulations that could impact our business. For example, APHIS included on the Fall 2020 Unified Agenda a notice that it was planning to release a Notice of Proposed Rulemaking in June 2021 related to contingency plans for the handling of animals. This rulemaking would amend Animal Welfare Act regulations to add requirements for contingency planning and training of personnel by research facilities and by dealers,

exhibitors, intermediate handlers, and carriers. APHIS says this action would heighten the awareness of licensees and registrants regarding their responsibilities and help ensure a timely and appropriate response should an emergency or disaster occur. There can be no assurance that Congress will not pass legislation or that APHIS or other federal, state or local jurisdictions will not propose or enact additional laws or regulations that could materially impact the Company in the future.

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

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

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

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

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

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

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

- actions or statements by U.S. and foreign governmental officials related to travel and corporate travel-related activities (including changes to the U.S. visa rules or disease related restrictions or testing requirements) and the resulting public perception of such travel and activities; and
- interruption of public or private utility services to our theme parks.

Any one or more of these factors could adversely affect attendance, revenue, and per capita spending at our theme parks, which could materially adversely affect our business, financial condition and results of operations. Fluctuations in foreign currency exchange rates impact our business. A strong dollar increases the cost for international tourists and could impact their spending. In addition, demand for our parks is highly dependent on the general environment for travel and tourism, which can be significantly adversely affected by extreme weather events, including ice and snow conditions. Any of these such events could have a material adverse effect on our business, financial condition, or results of operations. Additionally, because many of the attractions at our parks are outdoors, attendance at our parks is adversely affected by bad or extreme weather conditions and forecasts of bad or mixed weather conditions, which negatively affects our revenues and results of operations. For example, attendance at our parks in 2019 was negatively impacted by Hurricane Dorian over Labor Day weekend. Separately, we have previously also experienced negative impacts from weather events in other parks, particularly hurricanes, which have caused park closures in Tampa and Orlando and park closures and other weather impacts in Texas and Virginia.

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

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

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

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

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

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

In 2020, more than 70% of our revenues were generated in the State of Florida, due in part to the temporary park closures and limited operations as a result of the COVID-19 pandemic. Historically, however, more than 50% of our revenues are generated in the State of Florida with approximately 30% of our revenues generated from the States of California and Virginia combined.

Any risks described in this Annual Report on Form 10-K, such as the occurrence of natural disasters and travel-related disruptions or incidents, affecting the States of Florida, California and Virginia generally may materially adversely affect our business, financial condition or results of operations, especially if they have the effect of decreasing attendance at our theme parks or, in extreme cases, cause us to close any of our theme parks for any period of time. For example, in 2019, Florida was negatively impacted by Hurricane Dorian. Also, our parks in Texas and Virginia have previously been negatively impacted by hurricanes. Although we attempt to manage our exposure to such events by implementing our hurricane preparedness plan, our theme parks located in Orlando and Tampa, Florida and in Williamsburg, Virginia have previously experienced closures as a result of storms, which negatively impacted attendance and results of operations.

***Our operating results are subject to seasonal fluctuations.***

We have historically experienced and expect to continue to experience seasonal fluctuations in our annual theme park attendance and revenue, which are typically higher in our second and third quarters, partly because seven of our theme parks have historically only opened for a portion of the year. Historically, approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. In addition, the timing of school vacations and school start dates also cause fluctuations in our quarterly theme park attendance and revenue. For example, revenues can shift between the first and second quarters due to the timing of Easter and spring break holidays and between the first and fourth quarters due to the timing of holiday breaks around Christmas and New Year. Even for our five theme parks that have historically been open year-round, attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions. Changes in school calendars that impact traditional school vacation breaks could also impact attendance patterns. Due in part to the temporary park closures, capacity limitations and modified/limited operations, the COVID-19 pandemic has impacted the seasonality of our business for 2020 and it is difficult to estimate how the COVID-19 pandemic will impact seasonality in the future.

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

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

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

Our theme parks compete with other theme, water and amusement parks and with other types of recreational facilities and forms of entertainment, including movies, home entertainment options, family entertainment centers, sports attractions, restaurants and vacation travel.

Principal direct competitors of our theme parks include theme parks operated by The Walt Disney Company, Universal Parks and Resorts, Six Flags Entertainment Corporation, Cedar Fair, L.P., Merlin Entertainments Ltd., Herschend Family Entertainment and Hershey Entertainment and Resorts Company. The principal competitive factors of a theme park include location, price, originality and perceived quality of the rides and attractions, the atmosphere and cleanliness of the theme park, the quality of its food and entertainment, weather conditions, ease of travel to the theme park (including direct flights by major airlines), and availability and cost of transportation to a theme park. Certain of our direct competitors have substantially greater financial resources than we do, and they may be able to adapt more quickly to changes in guest preferences or devote greater resources to their attractions or promotion of their offerings and attractions than us. Our competitors may be able to attract guests to their theme parks in lieu of our own through the development or acquisition of new rides, attractions or shows that are perceived by guests to be of a higher quality and entertainment value. As a result, we may not be able to compete successfully against such competitors. If we are unable to compete with new and existing attractions, our results of operations could be negatively impacted.

***Featuring animals at our theme parks involves risks.***

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

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

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

Many of our theme parks are distinguished from those of our competitors in that we offer guest interactions with animals in our care. Individual animals, specific species of animals or groups of animals in our zoological collection could be exposed to infectious diseases or could expose guests to infectious diseases. While we have never had any such experiences, an outbreak of an infectious disease among any animals in our theme parks or the public's perception that a certain disease could be harmful to human health may materially adversely affect our zoological collection, our business, financial condition and results of operations.

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

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

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

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

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

We collect internal and customer data for business purposes. This data may include personal identifiable information held in our various information technology systems which collect, process, summarize, and report such data. We also maintain personally identifiable information about our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our guests and employees have a high expectation that we will adequately protect their personal information. The regulatory environment, as well as the requirements imposed on us by the credit card industry, governing information, security and privacy laws is increasingly demanding and continues to evolve. For example, the California Consumer Privacy Act took effect in January 2020 and imposes requirements for identifying, managing, securing, tracking, producing and deleting consumer privacy information in California. Maintaining compliance with applicable security and privacy regulations may increase our operating costs and/or adversely impact our ability to market our theme parks, products, and services to our guests. We also rely on accounting, financial and operational management information technology systems to conduct our operations. If these information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations could be materially adversely affected.



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

***Technology interruptions or failures that impair access to our websites or information technology systems could adversely affect our business or operations.***

The satisfactory performance, reliability and availability of our web sites and our infrastructure are critical to the conduct of our business. Any system interruptions that result in the unavailability or slowness of our websites could impact our ability to market or sell admissions or other products which could adversely affect our results of operations and/or result in negative publicity. We have in the past experienced, or may in the future experience, temporary system interruptions for a variety of reasons, including security incidents, viruses, telecommunication and other network failures, power failures, programming errors, undetected bugs, design faults, data corruption, denial-of-service attacks, legacy systems, poor scalability or network overload from an overwhelming number of traffic trying to reach our websites at the same time. Even a disruption as brief as a few minutes could have a negative impact on our online activities and could result in a loss of revenue. For example, there have been instances when our websites experienced slow performance and unavailability for some guests. Although these issues were short-lived and did not have a material impact to our results of operations, prolonged or repeat system interruptions and network failures could adversely impact our operations as a significant portion of our admissions revenues are from ticket purchases and reservations made online.

Additionally, damage, failures or interruptions to our information technology systems may require a significant investment to update, remediate or replace with alternate systems, and we may suffer interruptions in our operations as a result. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations and/or result in negative publicity. Any material interruptions or failures in our systems, including those that may result from our failure to adequately develop, implement and maintain a robust disaster recovery plan and backup systems could severely affect our ability to conduct normal business operations and, as a result, could adversely affect our business operations and financial performance.

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

Labor is a primary component in the cost of operating our business. We devote significant resources to recruiting and training our employees. Increased labor costs due to competition, increased minimum wage or employee benefit costs or otherwise, would adversely impact our operating expenses. For example, the Patient Protection and Affordable Care Act of 2010 and the amendments thereto contain provisions that have impacted our healthcare costs. Additionally, the new administration is encouraging Congress to increase the federal minimum wage to \$15 an hour. Any future amendments or new legislation could significantly increase our compensation costs, which would reduce our net income and adversely affect our cash flows.

In 2016, San Diego passed legislation which, after the first increase on January 1, 2017, increases its minimum wage over a six-year period to \$15 an hour by January 1, 2023. After the San Diego minimum wage reaches \$15 an hour, it will change based on the consumer price index. Virginia passed legislation that increases the state minimum wage to \$9.50 an hour on May 1, 2021 and increases its minimum wage to \$15 an hour by 2026. In November 2020, Florida passed a ballot initiative raising minimum wage to \$10.00 per hour effective September 30th, 2021. Each September 30th thereafter, minimum wage shall increase by \$1.00 per hour until the minimum wage reaches \$15.00 per hour on September 30th, 2026. From that point forward, future minimum wage increases shall revert to being adjusted annually for inflation starting September 30th, 2027. In addition, a number of companies with whom we compete for talent have announced wage increases. Increases to the minimum wage in locations where we do business, wages of companies from whom we compete for talent and/or increased benefit costs will negatively impact our operating expenses.

***Our growth strategy may not achieve the anticipated results.***

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

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

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

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

We are subject to allegations, claims and legal actions arising in the ordinary course of our business, which may include claims by third parties, including guests who visit our theme parks, our employees, stockholders and/or regulators. We are currently subject to securities litigation. We are also subject to audits, inspections and investigations by, or receives requests for information from, various federal and state regulatory agencies, including, but not limited to, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service ("APHIS"), the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA"), the California Occupational Safety and Health Administration ("Cal-OSHA"), state departments of labor, the Florida Fish & Wildlife Commission ("FWC"), the Equal Employment Opportunity Commission ("EEOC"), the Internal Revenue Service ("IRS"), the U.S. Department of Justice ("DOJ") and the Securities and Exchange Commission ("SEC"). From time to time, various parties may also bring lawsuits against us. For example, on February 11, 2020, we announced that we had entered into a settlement agreement with respect to a previously disclosed class action lawsuit commenced in 2014, captioned *Baker v. SeaWorld Entertainment, Inc.*, et al., Case No. 14-CV-02129-MMA (AGS) ("Baker"). The settlement required us to pay \$65.0 million for claims alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as the costs of administration and legal fees and expenses. The settlement does not include or constitute an admission, concession, or finding of any fault, liability, or wrongdoing by us or any defendant.

Also, in June 2017, we received a subpoena in connection with an investigation by the DOJ concerning certain disclosures and public statements made by us and certain individuals on or before August 2014, and trading in our securities. We also had received subpoenas from the staff of the SEC in connection with these matters. During the year ended December 31, 2018, we reached a settlement with the SEC. In connection with the settlement, without admitting or denying the substantive allegations in the SEC's complaint, we agreed to the entry of a final judgment ordering us to pay a civil penalty of \$4.0 million and enjoining us from violation of certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and certain rules thereunder. The settlement was approved by the U.S. District Court for the Southern District of New York on September 24, 2018. On December 11, 2018, the DOJ informed us that it does not intend to take any action against us or any individuals in connection with its investigation. We consider the DOJ matter concluded. We discuss securities litigation and other litigation to which we are subject in greater detail in "Item 3. Legal Proceedings" and Note 15—Commitments and Contingencies to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. If any proceedings, audits, inspections or investigations were to be determined adversely against us or resulted in legal actions, claims, regulatory proceedings, enforcement actions, or judgments, fines, or settlements involving a payment of material sums of money, or if injunctive relief were issued against us, our business, financial condition and results of operations could be materially adversely affected. Even the successful defense of legal proceedings may cause us to incur substantial legal costs and may divert management's attention and resources.

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

Our intellectual property, including our trademarks, service marks, domain names, copyrights, patent and other proprietary rights, constitutes a significant part of our value. To protect our intellectual property rights, we rely upon a combination of trademark, copyright, patent, trade secret and unfair competition laws of the United States and other countries, as well as contract provisions and third-party policies and procedures governing internet/domain name registrations. However, there can be no assurance that these measures will be successful in any given case, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States. We may be unable to prevent the misappropriation, infringement or violation of our intellectual property rights, breaching any contractual obligations to us, or independently developing intellectual property that is similar to ours, any of which could reduce or eliminate any competitive advantage we have developed, adversely affect our revenues or otherwise harm our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***We may not realize the benefits of developments, restructurings, acquisitions or other strategic initiatives and we may incur significant costs associated with such activities.***

Our business strategy may include selective expansion, both domestically and internationally, through acquisitions of assets or other strategic initiatives, such as joint ventures, that allow us to profitably expand our business and leverage our brands. For example, in 2016 we announced our partnership with Miral Asset Management LLC to develop SeaWorld Abu Dhabi, a first-of-its-kind marine life themed park on Yas Island. There is no assurance that the Miral partnership or our other strategic initiatives will be successful. In addition, on March 24, 2017, we entered into a Park Exclusivity and Concept Design Agreement and a Center Concept & Preliminary Design Support Agreement with an affiliate of ZHG Group to provide design, support and advisory services for various potential projects and granting exclusive rights in China, Taiwan, Hong Kong and Macau (collectively, the “ZHG Agreements”). The ZHG Agreements were terminated in April 2019 as a result of the contract party’s defaulting on the payment of required amounts under these agreements.

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

We are executing on a strategic plan to grow revenue and Adjusted EBITDA and, from time to time, identify and execute on cost reduction opportunities and take other actions designed to achieve operational efficiencies and process improvements. There is no assurance that we will be able to achieve and/or sustain the cost savings, grow our business, realize or sustain operational efficiencies or achieve other benefits that we may initially expect. In addition, such actions may result in various one-time costs and temporary operational inefficiencies and could negatively impact business and employment relationships during transitional periods. See further discussion under the caption *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors and Trends Affecting Our Results of Operations—Costs and Expenses”* included elsewhere in this Annual Report on Form 10-K.

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

We rely on a license from Sesame to use the Sesame Place trade name and trademark and certain other intellectual property rights, including titles, marks, characters, logos and designs from the Sesame Street television series within our Sesame Place theme park located in Langhorne, Pennsylvania (the “Langhorne Sesame Place”), the Sesame Place theme park we announced that will be opened in California and any additional future Sesame Place theme parks in the United States (collectively, the “Standalone Parks”) and with respect to Sesame Street themed areas within certain areas of some of our other theme parks, as well as in connection with the sales of certain Sesame Street themed products. The License Agreement with Sesame Workshop (the “Sesame License Agreement”) has an initial term through December 31, 2031, with an automatic additional 15-year extension plus a 5-year option added from each new Standalone Park opening. Our use of these intellectual property rights is subject to the approval of Sesame and the parties have certain termination rights under the Sesame License Agreement, including without limitation Sesame’s right to terminate the Sesame License Agreement in whole or in part under certain limited circumstances, including a change of control of SeaWorld (or of SeaWorld Parks and Entertainment, Inc., a wholly-owned subsidiary of SeaWorld), our bankruptcy or uncured breach of the Sesame License Agreement, or the termination of the Sesame License Agreement regarding the Langhorne Sesame Place theme park. If we were to lose or have to renegotiate the Sesame License Agreement, our business may be adversely affected.

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

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

Our existing debt agreements contain, and documents governing our future indebtedness may contain, financial and operating covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, pay dividends and other distributions, make capital expenditures, make certain loans, investments and other restricted payments, enter into agreements restricting our subsidiaries' ability to pay dividends, engage in certain transactions with stockholders or affiliates, sell certain assets or engage in mergers, acquisitions and other business combinations, amend or otherwise alter the terms of our indebtedness, alter the business that we conduct, guarantee indebtedness or incur other contingent obligations and create liens. Our existing debt agreements also require, and documents governing our future indebtedness may require, us to meet certain financial ratios and tests. Our ability to comply with these and other provisions of the existing debt agreements is dependent on our future performance, which will be subject to many factors, some of which are beyond our control. The breach of any of these covenants or non-compliance with any of these financial ratios and tests could result in an event of default under the existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions. We discuss certain key covenants and financial ratios to which we are subject under our debt agreements in greater detail under the caption "*Restrictive Covenants*" in Note 11—Long-Term Debt to our accompanying consolidated financial statements included elsewhere in this Annual Report on Form 10-K and under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Indebtedness—Covenant Compliance*". Additionally, variable rate indebtedness subjects us to the risk of higher interest rates, which could cause our future debt service obligations to increase significantly.

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

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

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

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

For example, as of December 31, 2020, our Senior Secured Credit Facilities were rated by Standard and Poor's Financial Services (corporate credit rated B- with a negative outlook and the Senior Secured Credit Facilities rated B-) and Moody's Investors Service (corporate family rated B3 with a negative outlook and the Senior Secured Credit Facilities rated B2). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of these ratings on our costs of funds and related margins, liquidity and access to capital markets. Our borrowing costs depend, in part, on our credit ratings and any actions taken by these credit rating agencies to lower our credit ratings, could increase our borrowing costs.

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

As of December 31, 2020, our total indebtedness was approximately \$2.220 billion. Our high degree of leverage could have important consequences, including the following: (i) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations, capital expenditures, future business opportunities and/or share repurchases of our common stock; (ii) our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate purposes in the future may be limited; (iii) certain of the borrowings are at variable rates of interest, which will increase our vulnerability to increases in interest rates; (iv) we are at a competitive disadvantage to less leveraged competitors; (v) we may be unable to adjust rapidly to changing market conditions; (vi) the debt service requirements of our other indebtedness could make it more difficult for us to satisfy our financial obligations; and (vii) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth. We do not currently have any of our debt hedged. A hypothetical increase in LIBOR of 100 bps would increase our annual interest expense by approximately \$5.9 million. Increased debt service costs would adversely affect our cash flow and net income. There can be no assurance that if we intend to enter into a hedge, that we will be able to enter into hedging arrangements on favorable terms or at all.

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

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

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

Our insurance coverage may not be adequate to cover all possible losses that we could suffer, and our insurance costs may increase. Although we maintain various safety and loss prevention programs and carry property and casualty insurance to cover certain risks, our insurance policies do not cover all types of losses and liabilities. Additionally, many of our policies are subject to deductibles and/or self-insured retentions and co-insurance. There can be no assurance our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured and may be significantly less than the expected and actual replacement cost of rebuilding facilities "as was" if there was a total loss. For example, we expect the majority of losses related to impacts of the COVID-19 pandemic will not be covered by insurance available to us and insurers may contest coverage. We cannot guarantee that we will be able to renew our current insurance policies on favorable terms, or at all. In addition, if we or other theme park operators sustain significant losses or make significant insurance claims, then our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

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

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

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

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

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

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

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

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

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

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

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

We are exposed to the risk of loss in the event of non-performance by such strategic partners or other counterparties. Some of these counterparties may be highly leveraged and subject to their own operating, market and regulatory risks, and some are experiencing, or may experience in the future, severe financial problems that have had or may have a significant impact on their creditworthiness. For example, we terminated the ZHG Agreements for non-payment of undisputed amounts owed. In addition, the sale or transfer of our common stock owned by affiliates of Hill Path, or the perception that such sales or transfers could occur, could harm the prevailing market price of shares of our common stock.

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

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

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

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

The Tax Cuts and Jobs Act (the “Tax Act”), was enacted on December 22, 2017, and contains a number of changes to U.S. federal tax laws. The Tax Act requires complex computations that were not previously provided for under U.S. tax law and significantly revised the U.S. tax code by, among other changes, lowering the corporate income tax rate from 35% to 21% and imposing limitations on the deductibility of interest. Additional guidance may be issued by the Internal Revenue Service, or IRS, the Department of the Treasury, or other governing body that may significantly differ from our interpretation of the law, which may result in a material adverse effect on our business, cash flow, results of operations or financial conditions.

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

We purchase some of our merchandise for resale and other products used in our business from entities which are located in foreign countries. Additionally, some of our ride manufacturers may be located in foreign countries or utilize components manufactured or sourced from foreign countries. These relationships expose us to risks associated with doing business globally, including changes in tariffs, quotas and other restrictions on imports (collectively, “Trade Restrictions”). The United States has increased tariffs on certain imports from China and other countries. While the current tariffs have not had a material impact on goods that we currently either import from China or purchase from domestic vendors which import from China, we cannot predict how any future tariffs or any other Trade Restrictions will impact our business. Such Trade Restrictions would likely result in lower gross margin on impacted products or increase the cost of capital projects, unless we are able to take successfully any one or more of the following mitigating actions: increase our prices, move production to countries with no or lower tariffs or away from domestic vendors who source from China or other tariff impacted countries, or alter or cease offering certain products. Any increase in pricing, alteration of products or reduced product offering could reduce the competitiveness of our products. Furthermore, any retaliatory counter-measures imposed by countries subject to such tariffs, could increase our, or our vendors’, import expenses. Additionally, even if the products we import are not directly impacted by tariffs, the imposition and maintenance of such tariffs on goods imported into the United States could cause increased prices for consumer goods, in general, which could have a negative impact on consumer spending for discretionary items reducing attendance or spending at our parks. These direct and indirect impacts of increased tariffs or Trade Restrictions implemented by the United States, both individually and cumulatively, could have a material adverse effect on our business, financial condition and results of future operations.

***Actions of activist stockholders, and such activism could adversely impact the value of our securities.***

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



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

In 2019, Hill Path Capital LP and certain of its affiliates (“Hill Path”) purchased in the aggregate, 13,214,000 shares of our common stock (the “HP Purchase”). As described more fully in our Form 8-K dated May 27, 2019, we concurrently entered into the Stockholders Agreement, the Registration Rights Agreement and the Undertaking Agreement (collectively, the “HP Agreements”) with Hill Path in connection with the HP Purchase. On July 2, 2020, Hill Path filed with the SEC a Schedule 13D/A (the “Schedule 13D/A”) reporting that such persons had accumulated a total of 27,205,306 shares of our common stock, which represents approximately 34.7% of our total outstanding shares of common stock as of December 31, 2020. Also, certain funds affiliated with Hill Path have other economic interests in the Company. Please refer to their most recent Schedule 13D/A. In addition, the Hill Path Schedule 13D filed on May 1, 2017, as amended states, among other things, that Hill Path may suggest changes in our business, operations, capital structure, capital allocation, corporate governance, and other strategic matters.

Under the HP Agreements, we agreed to appoint up to three Hill Path director designees (“Hill Path Designees”) to our Board of Directors of which two directors may be affiliated with Hill Path and, subject to the independence standards of the New York Stock Exchange, there shall be one Hill Path Designee on each committee of the Board, as determined by Hill Path and subject to the approval of the Nominating and Corporate Governance Committee. Scott Ross, founder of Hill Path, James Chambers, a Partner at Hill Path, and Charles Koppelman, who is independent, are the Hill Path Designees. Mr. Ross currently serves as Chairman of the Board and Chairman of the Compensation Committee and also serves on the Nominating and Corporate Governance Committee and the Revenue Committee. Mr. Chambers serves as Chairman of the Nominating and Corporate Governance Committee and also serves on the Compensation Committee and the Revenue Committee. Mr. Koppelman serves on the Nominating and Corporate Governance Committee and the Revenue Committee.

For so long as Hill Path Designees remain on our Board, Hill Path will have influence with respect to our management, business plans and policies, including the appointment and removal of our officers, and nominees for director. In addition, for so long as Hill Path continues to own a significant percentage of our stock, Hill Path will be able to influence the composition of our Board of Directors and the approval of actions requiring stockholder approval. For example, for so long as Hill Path continues to own a significant percentage of our stock, Hill Path may be able to influence whether or not a change of control of our Company or a change in the composition of our Board of Directors occurs. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our Company and ultimately might affect the market price of our common stock.

***The policies of the recently elected U.S. President and his administration or any changes to tax laws may result in a material adverse effect on our business, cash flow, results of operations or financial condition and may impact our ability to use our net operating loss carryforwards.***

While the new administration’s policies in many areas are uncertain at this time, certain types of policies regarding increases in minimum wage, foreign travel to the United States, foreign trade, domestic travel, changes to labor laws or regulations, manufacturing, development, investment and environment or animal welfare matters could adversely affect our business. Additionally, policies that strengthen the U.S. dollar against a variety of foreign currencies could impact international tourist spending, including at our theme parks. While there is currently a substantial lack of clarity and uncertainty around the likelihood, timing and details of any such policies and reforms, such policies and reforms may materially and adversely affect our business, financial condition and results of operations and the value of our securities. For example, a proposed corporate tax bill includes, among other changes, an increase in the corporate tax rate from 21% to 28% and a minimum tax of 15% on book net income for corporations with \$100 million or higher in book profits. The President signed an Executive Order with the goal of increasing the minimum wage for federal workers and contractors to \$15.00 an hour. Additionally, the new administration is encouraging Congress to increase the federal minimum wage to \$15.00 an hour.

Separately, the Tax Cuts and Jobs Act (the “Tax Act”), which was enacted on December 22, 2017, contained a number of changes to U.S. federal tax laws. The Tax Act, among other changes, imposed limitations on the deductibility of interest, limited the use of net operating loss carryforwards arising in periods after 2017, and extended the expiration period for net operating losses from 20 years to an unlimited period. Additionally, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily revised the U.S. tax code by, among other changes, deferring the 2020 employer portion of social security payments, implementing an employee retention credit, and allowing for 100% utilization of net operating loss carryforwards against 2020 taxable income. On December 28, 2020, a second stimulus bill was enacted which enhanced the CARES Act by, among other changes, extending the employee retention credit, extending the work opportunity credit, and allowing for 100% deduction for certain business meals through the year 2022.

Additional guidance may be issued by the Internal Revenue Service, or IRS, the Department of the Treasury, or other governing body that may significantly differ from our interpretation of the law, which may result in a material adverse effect on our business, cash flow, results of operations or financial conditions.

We continue to monitor changes and proposed changes to tax and other laws that may impact our business, results of operations, and financial condition and liquidity. It is currently unclear how the agenda of the new administration will impact our business. It is also uncertain if and to what extent various states will conform to the CARES Act. As a result, we may not be able to utilize our existing net operating losses or any portion thereof in the current tax year or any available carryforward period.

## **Risks Related to Ownership of Our Common Stock**

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

The trading price of our common stock has been, and may continue to be, volatile. Since shares of our common stock were sold in our IPO in April 2013 through December 31, 2020, our common stock close price has ranged from \$7.46 to \$38.92. In addition to the risk factors discussed in this Annual Report on Form 10-K, the trading price of our common stock may be adversely affected due to a number of factors, many of which are beyond our control, including:

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

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

Our goal is to invest capital to maximize our overall long-term returns. This includes spending on capital projects and expenses, managing debt levels, and periodically returning capital to our stockholders through share repurchases and dividends. There can be no assurance that our capital allocation decisions will enhance stockholder value. Our Board has previously authorized a share repurchase of up to \$250.0 million of our common stock (the "Share Repurchase Program"), of which approximately \$237.6 million remains available under the Share Repurchase Program as of December 31, 2020. The number of shares to be purchased and the timing of purchases will be based on our trading windows and available liquidity, general business and market conditions and other factors, including legal requirements and alternative opportunities. In connection with Amendment No. 12 to our Amended Credit Agreement, we are restricted from paying any dividends or making restricted payments, including share repurchases, through the third quarter of 2022 unless certain conditions are met.

During 2020, prior to the COVID-19 temporary park closures, we completed a share repurchase of 469,785 shares for an aggregate total of approximately \$12.4 million. Repurchases of our common stock pursuant to the Share Repurchase Program could affect our stock price and increase its volatility. The existence of the Share Repurchase Program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of stock. Although the Share Repurchase Program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce such program's effectiveness.

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

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

Shares held by Hill Path and certain of our directors, officers and employees are eligible for resale, subject to volume, manner of sale and other limitations under Rule 144. In addition, pursuant to a registration rights agreement entered into in connection with the HP Purchase, we granted Hill Path the right, subject to certain conditions, to require us to register the sale of their shares of common stock under the Securities Act.

If Hill Path exercises their registration rights, the market price of our shares of common stock could drop significantly. This factor could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

In addition, the shares of our common stock reserved for future issuance under the 2017 Omnibus Incentive Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, any applicable lock-up agreements in effect from time to time and Rule 144, as applicable. A total of 15,000,000 shares of common stock were reserved for issuance under the 2017 Omnibus Incentive Plan, of which approximately 7,680,000 shares of common stock remain available for future issuance as of December 31, 2020. In the future, we may also issue our securities in connection with investments or acquisitions. The number of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

***Our indebtedness could limit our ability to pay dividends on our common stock in the future.***

We have not paid a dividend since September 2016. Dividends, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board and will depend upon many factors, including, but not limited to, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and in any preferred stock, business prospects and other factors that the Board deems relevant. Our ability to declare dividends and make other restricted payments is limited by covenants in our senior secured credit facilities pursuant to a credit agreement dated as of December 1, 2009, as the same may be amended, restated, supplemented or modified from time to time (the "Senior Secured Credit Facilities"). In connection with Amendment No. 12 to the Senior Secured Credit Facilities, we are restricted from paying any dividends or making restricted payments, including share repurchases, through the third quarter of 2022 unless certain conditions are met. See Note 11—Long-Term Debt in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

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

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

These provisions provide for, among other things:

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

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

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

Our executive officers, directors, current 5% or greater stockholders and entities affiliated with them beneficially owned (as determined in accordance with the rules of the SEC) approximately 62.4% of our common stock outstanding as of December 31, 2020. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Also, these stockholders, acting together, may be able to control our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders.

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

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

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

The following table summarizes our principal properties as of December 31, 2020, which includes approximately 400 acres of land available for future development.

Location	Size	Use
San Diego, CA .....	190 acres <sup>(a)</sup>	Leased Land
Chula Vista, CA.....	66 acres	Owned Water Park <sup>(b)</sup>
Orlando, FL.....	279 acres	Owned Theme Park and Corporate Headquarters
Orlando, FL.....	58 acres	Owned All-inclusive Interactive Park
Orlando, FL.....	81 acres	Owned Water Park
Tampa, FL.....	56 acres	Owned Water Park
Tampa, FL.....	306 acres	Owned Theme Park
Dade City, FL .....	109 acres	Owned Breeding and Holding Facility
Langhorne, PA.....	55 acres	Owned Theme Park
San Antonio, TX.....	397 acres	Owned Theme Park
San Antonio, TX.....	18 acres	Owned Water Park
Williamsburg, VA.....	222 acres	Owned Water Park
Williamsburg, VA.....	422 acres	Owned Theme Park
Williamsburg, VA.....	5 acres	Owned Warehouse Space
Williamsburg, VA.....	5 acres	Owned Seasonal Worker Lodging

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

(b) Expected to be converted to Sesame Place in 2022.

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

### *Lease Agreement with City of San Diego*

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

The annual rent under the lease is calculated on the basis of a specified percentage of Sea World LLC’s gross income from the Premises (the “Percentage Rent”), or the minimum yearly rent (the “Minimum Rent”), whichever is greater. The minimum yearly rent is adjusted every three years to an amount equal to 80% of the average accounting year rent actually paid for the three previous years. The current minimum yearly rent is approximately \$10.4 million, which is subject to adjustment on January 1, 2023. The Company’s gross income from the Premises was significantly impacted during the year ended December 31, 2020 due to the temporary park closures, limited reopenings, modified operations and capacity restrictions resulting from the impact of the COVID-19 pandemic and related government restrictions in San Diego. As a result, the Company deferred approximately \$1.6 million of the Percentage Rent related to the year ended December 31, 2020, which was subsequently paid during the first quarter of 2021. The Company continues to defer an additional \$8.3 million related to the Minimum Rent for the year ended December 31, 2020.

See further discussion in Note 14–Leases to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## Item 3. Legal Proceedings

This information is set forth under Note 15–*Commitments and Contingencies* to the consolidated financial statements included in Part IV, Item 15, which is incorporated herein by reference.

## Item 4. Mine Safety Disclosures

Not applicable.

## PART II.

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

#### Market Information

Our common stock is listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “SEAS.” As of February 19, 2021, there were approximately 191 holders of record of our outstanding common stock. This does not include persons who hold our common stock in nominee or “street name” accounts through brokers or banks.

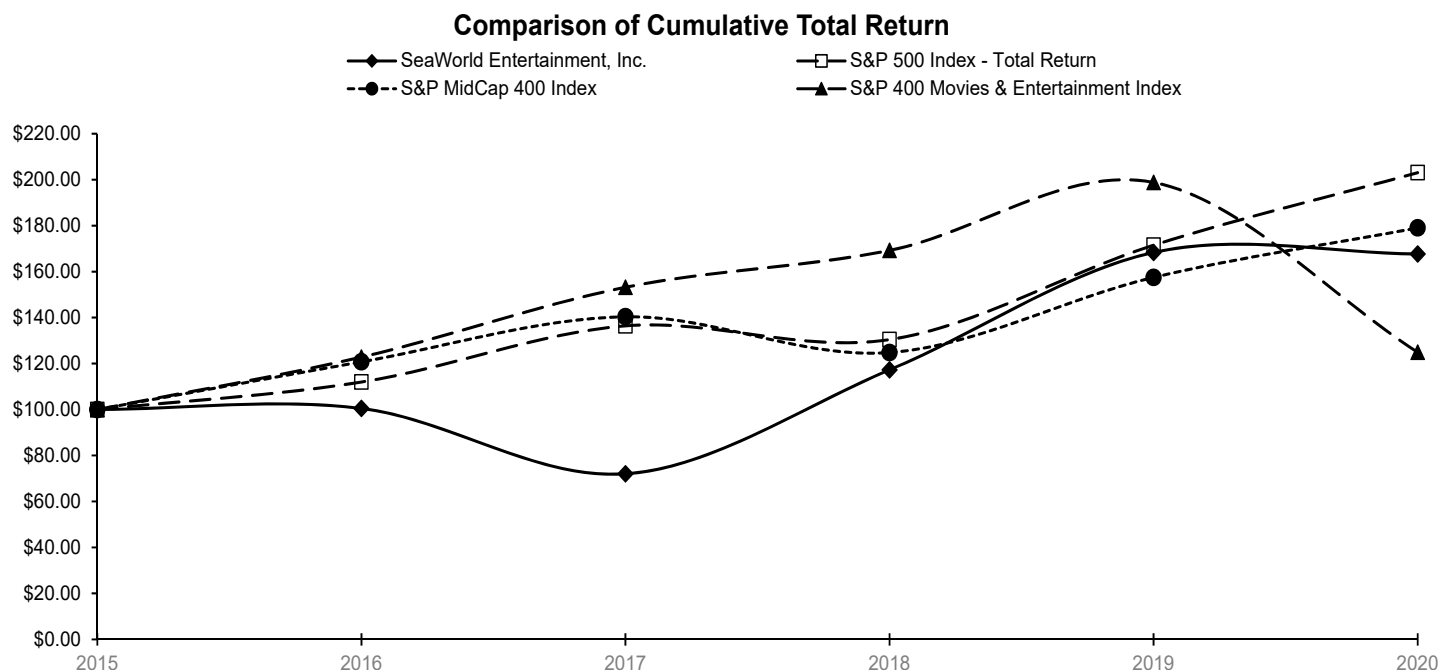
#### Dividends

We currently do not pay a dividend. In connection with Amendment No. 12 to our Amended Credit Agreement, we are restricted from paying any dividends or making restricted payments, including share repurchases, through the third quarter of 2022 unless certain conditions are met. See Note 11—Long-Term Debt in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

#### Stock Price Performance

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

The following graph shows a comparison of the five-year cumulative total stockholder return for our common stock, the Standard & Poor’s (“S&P”) 500 Index, the S&P Midcap 400 Index and the S&P 400 Movies & Entertainment Index. The graph assumes that \$100 was invested in our common stock and in each index at the market close on December 31, 2015 and assumes that all dividends, if any, were reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
SeaWorld Entertainment, Inc. ....	\$ 100.00	\$ 100.48	\$ 72.03	\$ 117.25	\$ 168.31	\$ 167.68
S&P 500 Index - Total Return .....	\$ 100.00	\$ 111.96	\$ 136.40	\$ 130.42	\$ 171.49	\$ 203.04
S&P Midcap 400 Index .....	\$ 100.00	\$ 120.74	\$ 140.35	\$ 124.80	\$ 157.49	\$ 179.00
S&P 400 Movies & Entertainment Index .....	\$ 100.00	\$ 122.81	\$ 153.18	\$ 169.23	\$ 198.80	\$ 124.90

Note: Data complete through last fiscal year. Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2021.

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

## Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities by us during the year ended December 31, 2020.

## Purchases of Equity Securities by the Issuer

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

Period Beginning	Period Ended	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
October 1, 2020.....	October 31, 2020	24,007	\$ 20.22	—	\$ 237,594,184
November 1, 2020.....	November 30, 2020	513	\$ 26.09	—	\$ 237,594,184
December 1, 2020.....	December 31, 2020	2,270	\$ 28.80	—	\$ 237,594,184
<b>Total</b> .....		<u>26,790</u>		<u>—</u>	<u>\$ 237,594,184</u>

- (1) All purchases were made pursuant to our Omnibus Incentive Plan, under which participants may satisfy tax withholding obligations incurred upon the vesting of restricted stock by requesting that we withhold shares with a value equal to the amount of the withholding obligation.
- (2) Our Board of Directors previously authorized a share repurchase program of up to \$250.0 million of our common stock (the "Share Repurchase Program"). Under the Share Repurchase Program, we are authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. Through December 31, 2020, prior to the COVID-19 temporary park closures, we repurchased an aggregate total of approximately \$12.4 million, leaving approximately \$237.6 million available under the Share Repurchase Program as of December 31, 2020. All of the common stock is held as treasury shares as of December 31, 2020. In connection with Amendment No. 12 to our Amended Credit Agreement, we are restricted from making restricted payments, including share repurchases, through the third quarter of 2022 unless certain conditions are met. See Note 11—Long-Term Debt in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## Item 6. Selected Financial Data

The following tables set forth our selected historical consolidated financial and operating data as of the dates and for each of the fiscal years ended December 31, 2020, 2019, 2018, 2017 and 2016.

The selected financial data as of December 31, 2020 and 2019 and for each of the fiscal years ended December 31, 2020, 2019 and 2018 has been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data as of December 31, 2018, 2017 and 2016 and for the fiscal years ended December 31, 2017 and 2016 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

The following tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included in "Financial Statements and Supplementary Data." The COVID-19 pandemic has materially impacted our revenue and results of operations for the year ended December 31, 2020. See the "Business" and "Risk Factors" sections included elsewhere in this Annual Report on Form 10-K for further discussion of the adverse impacts of the COVID-19 pandemic on our business.

**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Selected Statements of Comprehensive (Loss) Income Data:</b>					
<i>(In thousands, except per share and per capita amounts)</i>					
<b>Net revenues:</b>					
Admissions.....	\$ 255,376	\$ 802,834	\$ 798,793	\$ 765,072	\$ 817,793
Food, merchandise and other .....	176,403	595,410	573,497	498,252	526,499
Total revenues .....	431,779	1,398,244	1,372,290	1,263,324	1,344,292
<b>Costs and expenses:</b>					
Cost of food, merchandise and other revenues .....	36,712	108,953	106,604	95,914	100,643
Operating expenses (exclusive of depreciation and amortization shown separately below) .....	388,473	649,657	705,954	702,111	736,842
Selling, general and administrative expenses .....	94,885	261,701	229,724	228,836	238,557
Goodwill impairment charge .....	—	—	—	269,332	—
Severance and other separation costs <sup>(a)</sup> .....	2,826	4,176	17,386	5,200	9,016
Depreciation and amortization.....	150,546	160,557	160,955	163,294	199,649
Total costs and expenses .....	673,442	1,185,044	1,220,623	1,464,687	1,284,707
Operating (loss) income.....	(241,663)	213,200	151,667	(201,363)	59,585
Other expense (income), net .....	276	18	(100)	(115)	125
Interest expense.....	100,907	84,178	80,914	78,001	62,661
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs.....	—	—	8,150	8,143	—
(Loss) income before income taxes.....	(342,846)	129,004	62,703	(287,392)	(3,201)
(Benefit from) provision for income taxes .....	(30,525)	39,528	17,915	(85,006)	9,330
<b>Net (loss) income</b> .....	<u>\$ (312,321)</u>	<u>\$ 89,476</u>	<u>\$ 44,788</u>	<u>\$ (202,386)</u>	<u>\$ (12,531)</u>
<b>Per share data:</b>					
(Loss) earnings per share, basic .....	<u>\$ (3.99)</u>	<u>\$ 1.11</u>	<u>\$ 0.52</u>	<u>\$ (2.36)</u>	<u>\$ (0.15)</u>
(Loss) earnings per share, diluted .....	<u>\$ (3.99)</u>	<u>\$ 1.10</u>	<u>\$ 0.52</u>	<u>\$ (2.36)</u>	<u>\$ (0.15)</u>
Cash dividends declared per share .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.73</u>
<b>Weighted average common shares outstanding:</b>					
Basic.....	<u>78,194</u>	<u>80,309</u>	<u>86,170</u>	<u>85,811</u>	<u>84,925</u>
Diluted .....	<u>78,194</u>	<u>81,044</u>	<u>86,910</u>	<u>85,811</u>	<u>84,925</u>
<b>Other financial and operating data:</b>					
Cash capital expenditures .....	\$ 109,175	\$ 195,217	\$ 179,770	\$ 172,517	\$ 160,518
Attendance .....	6,373	22,624	22,582	20,798	22,000
Total revenue per capita <sup>(b)</sup> .....	\$ 67.75	\$ 61.80	\$ 60.77	\$ 60.74	\$ 61.10

	As of December 31,				
	2020	2019	2018	2017	2016
<b>Consolidated balance sheet data:</b>					
<i>(In thousands)</i>					
Cash and cash equivalents.....	\$ 433,909	\$ 39,946	\$ 34,073	\$ 33,178	\$ 68,958
Total assets <sup>(c)</sup> .....	\$ 2,566,358	\$ 2,300,518	\$ 2,115,602	\$ 2,085,782	\$ 2,378,771
Total long-term debt, net.....	\$ 2,192,642	\$ 1,548,124	\$ 1,540,184	\$ 1,542,316	\$ 1,582,782
Total (deficit) equity .....	\$ (105,803)	\$ 210,892	\$ 265,194	\$ 287,466	\$ 461,215

- (a) During the year ended December 31, 2016, \$2.6 million of separation costs have been reclassified to severance and other separation costs to conform with the 2020 presentation.
- (b) Calculated as total revenue divided by total attendance.
- (c) Total assets as of December 31, 2020 and 2019 includes the impact from the adoption of Accounting Standards Codification (“ASC”) 842, *Leases*, which required right of use assets associated with the Company’s leases to be recorded on the balance sheet. Right of use assets—operating leases of approximately \$136.6 million and \$141.4 million are included in total assets as of December 31, 2020 and 2019, respectively.



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

References to our "theme parks" or "parks" in the discussion that follows includes all of our separately gated parks. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" and "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

### Introduction

The following discussion and analysis is intended to facilitate an understanding of our business and results of operations and should be read in conjunction with our historical consolidated financial statements and the notes thereto in the "Financial Statements and Supplementary Data" section included elsewhere in this Annual Report on Form 10-K. The discussion which follows consists of the following sections:

- *Business Overview*: Provides an overview of the business.
- *Recent Developments*: Provides a discussion concerning recent developments which have impacted the business.
- *Principal Factors and Trends Affecting our Results of Operations*: Provides a discussion concerning the principal factors and trends affecting our results of operations, including a discussion relating to revenue, attendance, costs and expenses and seasonality.
- *Results of Operations*: Provides a discussion of our operating results and applicable year-to-year comparisons.
- *Liquidity, Capital Resources and Indebtedness*: Provides a discussion of our cash flows, sources and uses of cash, commitments, capital resources and indebtedness as of December 31, 2020.
- *Critical Accounting Policies and Estimates*: Provides a discussion of our critical accounting policies which require the exercise of judgement and the use of estimates.

Management's discussion and analysis relating to 2018 and the applicable year-to-year comparisons are not included in this Annual Report on Form 10-K but can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which specific discussion is incorporated herein by reference.

### Business Overview

We are a leading theme park and entertainment company providing experiences that matter and inspiring guests to protect animals and the wild wonders of our world. We own or license a portfolio of recognized brands, including SeaWorld, Busch Gardens, Aquatica, Discovery Cove and Sesame Place. Over our more than 60-year history, we have developed a diversified portfolio of 12 differentiated theme parks that are grouped in key markets across the United States. Many of our theme parks showcase our one-of-a-kind zoological collection and feature a diverse array of both thrill and family-friendly rides, educational presentations, shows and/or other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.

### Recent Developments

#### *Impact of Global COVID-19 Pandemic*

Since the COVID-19 pandemic began, we have taken proactive measures for the safety of our guests, employees and animals, to manage costs and expenditures, and to provide liquidity. See further discussion concerning the proactive measures we have taken in the "Business" section included elsewhere in this Annual Report on Form 10-K.

In response to the COVID-19 pandemic, and in compliance with government restrictions, we temporarily closed all of our theme parks effective March 16, 2020. Beginning in June 2020, we began the phased reopening of some of our parks with capacity limitations and modified/limited operations. See further discussion relating to the parks we have reopened in the "Business" section included elsewhere in this Annual Report on Form 10-K.

We have implemented enhanced health and safety protocols for our parks including capacity limitations, increased cleaning and sanitizing, physical distancing practices, face covering requirements and temperature screening of both guests and employees. Additionally, we introduced an online reservation system to help manage capacity and we are managing the number of operating days and operating hours by park to optimize cash flow. We also continue our focus on cost reduction initiatives and have identified and executed on additional cost efficiencies which we have implemented, including optimizing labor through more efficient staffing.

Attendance since our parks reopened has been impacted by capacity limitations, modified/limited operations, reduced hours and/or reduced operating days, limited marketing spend and a limited events line-up. Despite these limitations, attendance on a

consolidated basis, which includes all open and closed parks, improved throughout the second half of 2020 with quarterly attendance down 81% in the third quarter and down 53% in the fourth quarter, versus the comparable prior year period. Excluding our Virginia and California parks which were partially open and operating with modified and significantly limited operations due to state imposed restrictions, attendance trends for open parks also improved throughout the second half of 2020 with quarterly attendance down 70% in the third quarter and down 44% in the fourth quarter versus the comparable prior year period.

For other factors concerning the COVID-19 pandemic, see the “*Business*” and “*Risk Factors*” sections included elsewhere in this Annual Report on Form 10-K.

### ***Regulatory Developments***

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

## **Principal Factors and Trends Affecting Our Results of Operations**

### ***Revenues***

Our revenues are driven primarily by attendance in our theme parks and the level of per capita spending for admission and per capita spending for culinary, merchandise and other in-park products. We define attendance as the number of guest visits. Attendance drives admissions revenue as well as total in-park spending. Admissions revenue primarily consists of single-day tickets, annual passes (which generally expire after a 12-month term), season passes (including our fun card products and, collectively with annual passes, referred to as “passes” or “season passes”) or other multi-day or multi-park admission products. Revenue from these admissions products are generally recognized based on attendance. Certain pass products are purchased through monthly installment arrangements which allow guests to pay over the product’s initial commitment period. Once the initial commitment period is reached, these products transition to a month to month basis providing these guests access to specific parks on a monthly basis with related revenue recognized monthly when the parks are open. During the period each park was temporarily closed due to the COVID-19 pandemic, which started on March 16, 2020, we did not recognize revenue from the closed park’s admission products. Pass and certain pre-purchased revenue products were extended to future dates dependent on the respective park re-opening dates. Pass products purchased through monthly installment arrangements whose initial commitment period ended during the temporary park closures were extended for the respective number of months of closure.

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

- *Admission Per Capita.* We calculate admission per capita as total admissions revenue divided by total attendance. Admission per capita is primarily driven by ticket pricing, the admissions product mix and the park attendance mix, among other factors. The admissions product mix, also referred to as the attendance or visitation mix, is defined as the mix of attendance by ticket category such as single day, multi-day, annual/season passes or complimentary tickets and can be impacted by the mix of guests as domestic and international guests generally purchase higher admission per capita ticket products than our local guests. A higher mix of complimentary tickets will generally lower our admissions per capita. The park attendance mix is defined as the mix of theme parks visited and can impact admission per capita based on the theme park’s respective pricing which, on average, is lower for our water parks compared to our other theme parks.
- *In-Park Per Capita Spending.* We calculate in-park per capita spending as total food, merchandise and other revenue divided by total attendance. Food, merchandise and other revenue primarily consists of culinary, merchandise, parking and other in-park products and also includes other miscellaneous revenue, including online transaction fees, not necessarily generated in our parks, which is not significant in the periods presented. In-park per capita spending is primarily driven by pricing changes, new product offerings, the mix of guests (such as local, domestic or international guests), penetration levels (percentage of guests purchasing) and the mix of in-park spending, among other factors.

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

### ***Attendance***

The level of attendance in our theme parks is generally a function of many factors, including affordability, the opening of new attractions and shows, competitive offerings, weather, marketing and sales efforts, awareness and type of ticket and park offerings, travel patterns of both our domestic and international guests, fluctuations in foreign exchange rates and global and regional economic conditions, consumer confidence, the external perceptions of our brands and reputation, industry best practices and perceptions as to

safety. The external perceptions of our brands and reputation have at times impacted relationships with some of our business partners, including certain ticket resellers that have terminated relationships with us and other zoological-themed attractions.

As a result of the COVID-19 pandemic, we believe the level of attendance in our theme parks, including the mix of attendance from certain markets, has been and will continue to be impacted by public concerns over the COVID-19 pandemic, the number of reported local cases of COVID-19, domestic and international travel restrictions, federal, state and local regulations related to public places, limits on social gatherings and overall public safety sentiment. We continuously monitor factors impacting our attendance, making strategic marketing and sales adjustments as necessary.

See further discussion in the “*Seasonality*” section which follows.

### ***Costs and Expenses***

Historically, the principal costs of our operations are employee wages and benefits, driven partly by staffing levels, advertising, maintenance, animal care, utilities and insurance. Factors that affect our costs and expenses include fixed operating costs, competitive wage pressures including minimum wage legislation, commodity prices, costs for construction, repairs and maintenance, other inflationary pressures and attendance levels, among other factors. The mix of products sold compared to the prior year period can also impact our costs as generally retail products have a higher cost of sales component than our culinary or other in-park offerings.

We continue our focus on reducing costs, improving operating margins and streamlining our labor structure to better align with our strategic business objectives. Since the start of the COVID-19 pandemic, we have spent significant time reviewing our operations and have identified meaningful cost savings opportunities which we believe will further strengthen our business once we return to normalized operations.

During the year ended December 31, 2020, in connection with two previously disclosed legal settlements, we received proceeds of \$16.9 million which is included as a reduction to selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income included elsewhere in this Annual Report on Form 10-K. During the year ended December 31, 2019, we recorded \$32.1 million related to a legal settlement charge, net of insurance recoveries, which is included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income included elsewhere in this Annual Report on Form 10-K. See Note 15—Commitments and Contingencies to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

During the year ended December 31, 2020, we committed to a plan of termination (the “2020 Restructuring Program”), primarily impacting some of our furloughed employees. We recorded approximately \$2.8 million of severance and other separation costs during the year ended December 31, 2020, primarily related to the 2020 Restructuring Program. During the year ended December 31, 2019, we recorded approximately \$4.2 million in pre-tax charges primarily consisting of severance and other termination benefits for positions eliminated in 2019, which is included in severance and other separation costs in the accompanying consolidated statements of comprehensive (loss) income included elsewhere in this Annual Report on Form 10-K. See Note 21—Severance and Other Separation Costs to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

As a result of the park closures related to the COVID-19 pandemic, costs and expenses for the year ended December 31, 2020, are not necessarily indicative of costs and expenses for any future period. Due in part to the impact of fixed operating costs and certain other costs which are not dependent on attendance levels, operating expenses and selling, general and administrative expenses during the year ended December 31, 2020 increased as a percent of revenue when compared to the prior year period. See the “*Impact of Global COVID-19 Pandemic*” section for further details. For other factors affecting our costs and expenses, see the “*Risk Factors*” section included elsewhere in this Annual Report on Form 10-K.

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

### ***Seasonality***

The theme park industry is seasonal in nature. Historically, we generate the highest revenues in the second and third quarters of each year, in part because seven of our theme parks are typically only open for a portion of the year. Approximately two-thirds of our attendance and revenues are typically generated in the second and third quarters of the year and we generally incur a net loss in the first and fourth quarters. The percent mix of revenues by quarter is relatively constant each year, but revenues can shift between the first and second quarters due to the timing of Easter and spring break holidays and between the first and fourth quarters due to the timing of holiday breaks around Christmas and New Year. Even for our five theme parks which have historically been open year-round, attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions. Changes in school calendars that impact traditional school vacation breaks could also impact attendance patterns. Due in part to the temporary park closures, capacity limitations and modified/limited operations, the COVID-19 pandemic has impacted the seasonality of our business for 2020 and it is difficult to estimate how the COVID-19 pandemic will impact seasonality in the future. Furthermore, any

changes to the operating schedule of a park such as increasing operating days for our seasonal parks, could change the impact of seasonality in the future. See “*Risk Factors*” section included elsewhere in this Annual Report on Form 10-K for further discussion of the adverse impacts of the COVID-19 pandemic on our business and financial performance.

## Results of Operations

The following discussion provides an analysis of our operating results for the years ended December 31, 2020 and 2019. The COVID-19 pandemic has materially impacted our revenue and results of operations for the year ended December 31, 2020. See “*Attendance*” and “*Risk Factors*” for further discussion of the adverse impacts of the COVID-19 pandemic on our business.

### Comparison of the Years Ended December 31, 2020 and 2019

The following data should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. The following table presents key operating and financial information for the years ended December 31, 2020 and 2019:

	For the Year Ended December 31,		Variance	
	2020	2019	\$	%
<i>(In thousands, except per capita data and %)</i>				
<b>Selected Statements of Comprehensive (Loss) Income Data:</b>				
<b>Net revenues:</b>				
Admissions .....	\$ 255,376	\$ 802,834	\$ (547,458)	(68.2%)
Food, merchandise and other .....	176,403	595,410	(419,007)	(70.4%)
Total revenues .....	431,779	1,398,244	(966,465)	(69.1%)
<b>Costs and expenses:</b>				
Cost of food, merchandise and other revenues .....	36,712	108,953	(72,241)	(66.3%)
Operating expenses .....	388,473	649,657	(261,184)	(40.2%)
Selling, general and administrative expenses .....	94,885	261,701	(166,816)	(63.7%)
Severance and other separation costs .....	2,826	4,176	(1,350)	(32.3%)
Depreciation and amortization .....	150,546	160,557	(10,011)	(6.2%)
Total costs and expenses .....	673,442	1,185,044	(511,602)	(43.2%)
Operating (loss) income .....	(241,663)	213,200	(454,863)	NM
Other expense, net .....	276	18	258	NM
Interest expense .....	100,907	84,178	16,729	19.9%
(Loss) income before income taxes .....	(342,846)	129,004	(471,850)	NM
(Benefit from) provision for income taxes .....	(30,525)	39,528	(70,053)	NM
<b>Net (loss) income .....</b>	<b>\$ (312,321)</b>	<b>\$ 89,476</b>	<b>\$ (401,797)</b>	<b>NM</b>
<b>Other data:</b>				
Attendance .....	6,373	22,624	(16,251)	(71.8%)
Total revenue per capita .....	\$ 67.75	\$ 61.80	\$ 5.95	9.6%
Admission per capita .....	\$ 40.07	\$ 35.48	\$ 4.59	12.9%
In-park per capita spending .....	\$ 27.68	\$ 26.32	\$ 1.36	5.2%

*NM-Not meaningful*

**Admissions revenue.** Admissions revenue for the year ended December 31, 2020 decreased \$547.5 million, or 68.2%, to \$255.4 million as compared to \$802.8 million for the year ended December 31, 2019. The decline in admissions revenue was primarily a result of a decrease in attendance of approximately 16.3 million guests, or 71.8%, partially offset by an increase in admission per capita. Attendance declined due to COVID-19 related impacts including temporary park closures, fewer operating days and hours versus the prior year, capacity limitations, modified/limited operations, limited marketing spend and a limited events line-up. During the year ended December 31, 2020, we had 46% less operating days when compared to 2019. Admission per capita increased by 12.9% to \$40.07 in 2020 compared to \$35.48 in 2019. Admission per capita increased primarily due to the realization of higher prices in our admission products and a favorable park mix, partially offset by the net impact of the attendance mix when compared to the prior year period.

*Food, merchandise and other revenue.* Food, merchandise and other revenue for the year ended December 31, 2020 decreased \$419.0 million, or 70.4% to \$176.4 million as compared to \$595.4 million for the year ended December 31, 2019. The decrease largely results from the decline in attendance discussed above, partially offset by an increase in in-park per capita spending. In-park per capita spending increased by 5.2%, to \$27.68 in 2020 from \$26.32 in 2019. In-park per capita spending improved primarily due to higher realized prices and fees, enhanced and expanded product offerings, the mix of certain merchandise and food and beverage items, and increased guest spending, partially offset by the impact of attendance mix, including higher pass mix when compared to the prior year period.

*Costs of food, merchandise and other revenues.* Costs of food, merchandise and other revenues for the year ended December 31, 2020 decreased \$72.2 million, or 66.3%, to \$36.7 million as compared to \$109.0 million for the year ended December 31, 2019. The decrease primarily relates to the decline in attendance and related park closures and limited reopenings. These costs represent 20.8% and 18.3% of related revenue for the years ended December 31, 2020 and 2019, respectively. The increase as a percent of related revenue partly relates to a higher mix of retail products sold, which generally have a higher cost of sales component than our culinary or other in park products.

*Operating expenses.* Operating expenses for the year ended December 31, 2020 decreased by \$261.2 million, or 40.2% to \$388.5 million as compared to \$649.7 million for the year ended December 31, 2019. The decrease largely results from a reduction in labor-related costs due primarily to the COVID-19 temporary park closures and limited reopenings and a reduction in other operating costs resulting from limited operating schedules and other cost savings and efficiency initiatives. Due in part to the impact of fixed operating costs and certain other costs which are not dependent on attendance levels, operating expenses as a percent of revenue increased when compared to the prior year period.

*Selling, general and administrative expenses.* Selling, general and administrative expenses for the year ended December 31, 2020 decreased by \$166.8 million, or 63.7% to \$94.9 million as compared to \$261.7 million for the year ended December 31, 2019. The decrease primarily relates to the following: (i) a reduction in marketing related costs due to the COVID-19 temporary park closures and limited reopenings; (ii) a decrease in legal costs primarily related to legal settlement proceeds of approximately \$16.9 million recorded in 2020 compared to a legal settlement charge, net of insurance recoveries, of approximately \$32.1 million recorded in the fourth quarter of 2019; (iii) a decline in third-party consulting costs; and (iv) the impact of cost savings and efficiency initiatives, including reduced labor related costs. See Note 15—Commitments in our notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details regarding our legal settlements.

*Severance and other separation costs.* Severance and other separation costs for the year ended December 31, 2020 decreased by \$1.4 million, or 32.3%, to \$2.8 million as compared to \$4.2 million for the year ended December 31, 2019. Severance and other termination costs in 2020 primarily relates to the 2020 Restructuring Program. Severance and other termination costs in 2019 primarily relate to positions which were eliminated in 2019. See Note 21—Severance and Other Separation Costs in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

*Depreciation and amortization.* Depreciation and amortization expense for the year ended December 31, 2020 decreased by \$10.0 million, or 6.2% to \$150.5 million as compared to \$160.6 million for the year ended December 31, 2019. The decrease primarily relates to a decline in new asset additions in 2020 along with the impact of asset retirements and fully depreciated assets.

*Interest expense.* Interest expense for the year ended December 31, 2020 increased \$16.7 million, or 19.9% to \$100.9 million as compared to \$84.2 million for the year ended December 31, 2019. The increase primarily relates to approximately \$32.7 million of additional interest related to the Senior Secured Notes issued in April 2020 and the Second-Priority Senior Secured Notes issued in August 2020, a higher average outstanding balance on our Revolving Credit Facility during the period and the impact of interest rate swap agreements, which expired in May 2020, partially offset by the impact of decreased LIBOR rates. See Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K and the “*Our Indebtedness*” section which follows for further details.

*(Benefit from) provision for income taxes.* Benefit from income taxes for the year ended December 31, 2020 was \$30.5 million compared to a provision for income taxes of \$39.5 million in the year ended December 31, 2019. Our consolidated effective tax rate was 8.9% for 2020 compared to 30.6% for 2019. The effective tax rate decreased primarily due to a non-cash valuation allowance adjustment on federal and state net operating loss carryforwards, a valuation allowance adjustment on federal tax credits and charitable contributions, changes in state tax rates, and other permanent items including equity-based compensation. See Note 14—Income Taxes in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

## Liquidity and Capital Resources

### Overview

Generally, our principal sources of liquidity are cash generated from operations, funds from borrowings and existing cash on hand. Our principal uses of cash include the funding of working capital obligations, debt service, investments in theme parks (including capital projects), and could include share repurchases, when permitted. As of December 31, 2020, we had a working capital ratio (defined as current assets divided by current liabilities) of 1.6, due in part to our outstanding cash balance at December 31, 2020. Historically, we typically operating with a working capital ratio less than 1 due to significant deferred revenue balance from revenues paid in advance for our theme park admissions products and high turnover of in-park products that result in limited inventory balances. Our cash flow from operations, along with our revolving credit facilities, have historically allowed us to meet our liquidity needs.

Due to the adverse impact of the COVID-19 temporary park closures, which started on March 16, 2020, and the limited reopening with reduced operating days and/or hours and capacity limitations, we generated negative cash flows from operating activities for the year ended December 31, 2020. See the “*Impact of Global COVID-19 Pandemic*” section and the “*Our Indebtedness*” section for further details concerning the proactive measures we have taken to address liquidity in response to the COVID-19 pandemic. For other factors concerning the COVID-19 pandemic, see the “*Business*” and “*Risk Factors*” sections in this Annual Report on Form 10-K.

As market conditions warrant and subject to our contractual restrictions and liquidity position, we or our affiliates, may from time to time purchase our outstanding equity and/or debt securities, including our outstanding bank loans in privately negotiated or open market transactions, by tender offer or otherwise. Any such purchases may be funded by incurring new debt, including additional borrowings under the Senior Secured Credit Facilities. Any new debt may also be secured debt. We may also use available cash on our balance sheet. The amounts involved in any such transactions, individually or in the aggregate, may be material. Further, since some of our debt may trade at a discount to the face amount among current or future syndicate members, any such purchases may result in our acquiring and retiring a substantial amount of any particular series, with the attendant reduction in the trading liquidity of any such series. Depending on conditions in the credit and capital markets and other factors, we will, from time to time, consider other financing transactions, the proceeds of which could be used to refinance our indebtedness or for other purposes.

### Share Repurchases

See Note 17–Related Party Transactions and Note 20–Stockholders’ (Deficit) Equity in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information on the Share Repurchase Program.

### Other

We believe that existing cash and cash equivalents and available borrowings under our revolving credit facility will be adequate to meet the capital expenditures, debt service obligations, and working capital requirements of our operations for at least the next 12 months.

The following table presents a summary of our cash flows (used in) provided by operating, investing and financing activities for the periods indicated:

	For the Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Net cash (used in) provided by operating activities .....	\$ (120,729)	\$ 348,416	\$ 293,935
Net cash used in investing activities.....	(109,175)	(195,193)	(180,029)
Net cash provided by (used in) financing activities .....	624,204	(147,305)	(112,896)
Net increase in cash and cash equivalents, including restricted cash.....	<u>\$ 394,300</u>	<u>\$ 5,918</u>	<u>\$ 1,010</u>

### Cash Flows from Operating Activities

Net cash used in operating activities was \$120.7 million during the year ended December 31, 2020 as compared to net cash provided by operating activities of \$348.4 million during the year ended December 31, 2019. Net cash (used in) provided by operating activities in 2020 was primarily impacted by the decline in revenue due to the temporary park closures and limited park reopenings.

Net cash provided by operating activities was \$348.4 million during the year ended December 31, 2019 compared to \$293.9 million during the year ended December 31, 2018. The increase in net cash provided by operating activities was primarily impacted by improved operating performance in 2019 when compared to 2018.

### ***Cash Flows from Investing Activities***

Investing activities consist principally of capital investments we make in our theme parks for future attractions and infrastructure. Net cash used in investing activities during the year ended December 31, 2020 consisted of capital expenditures of \$109.2 million largely related to future attractions (see further breakdown of capital expenditures in the table below). Net cash used in investing activities during the year ended December 31, 2019 consisted primarily of capital expenditures of \$195.2 million.

The following table presents detail of our capital expenditures for the periods indicated:

	For the Year Ended December 31,	
	2020	2019
	<i>(Unaudited, in thousands)</i>	
Capital Expenditures:		
Core <sup>(a)</sup> .....	\$ 94,671	\$ 171,789
Expansion/ROI projects <sup>(b)</sup> .....	14,504	23,428
Capital expenditures, total .....	<u>\$ 109,175</u>	<u>\$ 195,217</u>

(a) Reflects capital expenditures for park rides, attractions and maintenance activities.

(b) Reflects capital expenditures for park expansion, new properties, or other revenue and/or expense return on investment (“ROI”) projects.

The amount of our capital expenditures may be affected by general economic and financial conditions, among other things, including restrictions imposed by our borrowing arrangements. Historically, we generally expect to fund our capital expenditures through our operating cash flow, which was materially impacted in 2020. See the “*Impact of Global COVID-19 Pandemic*” section for further details regarding proactive measures we have taken starting in March 2020 relating to our capital expenditures including delaying the opening of certain new rides. For 2021, depending on the pace of the recovery from the COVID-19 impacts, we plan on spending between approximately \$100 million and \$150 million on capital expenditures.

### ***Cash Flows from Financing Activities***

Net cash provided by financing activities during the year ended December 31, 2020 results primarily from net proceeds from our Senior Notes and our Second-Priority Senior Notes offering of \$713.7 million, partially offset by net repayments on our revolving credit facility of \$50.0 million, repayments of \$15.5 million on our long-term debt, \$12.4 million used to repurchase shares early in the first quarter of 2020 and \$7.5 million of debt issuance costs paid in connection with the issuance of the Senior Notes and Second-Priority Senior Notes, and as a result of amendments to our Amended Credit Agreement.

Net cash used in financing activities during the year ended December 31, 2019 results primarily from \$150.0 million used to repurchase shares and repayments of \$15.5 million on our long-term debt, partially offset by a net draw on our Revolving Credit Facility of \$20.0 million.

See Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

### ***Our Indebtedness***

We are a holding company and conduct our operations through our subsidiaries, which have incurred or guaranteed indebtedness as described below. As of December 31, 2020, our indebtedness consisted of senior secured credit facilities, first-priority senior secured notes (“Senior Notes”) and second-priority senior secured notes (“Second-Priority Senior Notes”).

See discussion which follows and Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details related to our indebtedness.

### ***Senior Secured Credit Facilities***

SeaWorld Parks & Entertainment, Inc. (“SEA”) is the borrower under the senior secured credit facilities, as amended pursuant to a credit agreement (the “Amended 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”).

As of December 31, 2020, our Senior Secured Credit Facilities consisted of \$1.492 billion in Term B-5 Loans which will mature on March 31, 2024, along with a \$332.5 million Revolving Credit Facility, which had no amounts outstanding as of December 31, 2020. As of December 31, 2020, SEA had approximately \$21.2 million of outstanding letters of credit, leaving approximately \$311.3 million available for borrowing under the Revolving Credit Facility. See “*Covenant Compliance*” discussion which follows for information regarding our required quarterly liquidity test which could impact amounts available for borrowing.

### ***First-Priority Senior Secured Notes***

On April 30, 2020, SEA closed on a private offering of \$227.5 million aggregate principal amount of 8.750% Senior Notes.

## **Second-Priority Senior Secured Notes**

On August 5, 2020, SEA closed on a private offering of \$500.0 million aggregate principal amount of 9.500% Second-Priority Senior Notes. Net of expenses related to the offering of the Second-Priority Senior Notes and Amendment No. 12 to the Credit Agreement, we used a portion of the proceeds from the issuance of the Second-Priority Senior Notes to repay the then outstanding borrowings under our Revolving Credit Facility of \$311.0 million.

See Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details related to our Senior Notes and Second-Priority Senior Secured Notes.

### ***Covenant Compliance***

As of December 31, 2020, we were in compliance with all covenants in the credit agreement governing the Senior Secured Credit Facilities.

The Revolving Credit Facility requires that we comply with a springing maximum first lien secured leverage ratio of 6.25x to be tested as of the last day of any fiscal quarter, solely to the extent that on such date the aggregate amount of funded loans and letters of credit (excluding undrawn letters of credit in an amount not to exceed \$30.0 million and cash collateralized letters of credit) under the Revolving Credit Facility exceeds an amount equal to 35% of the then outstanding commitments under the Revolving Credit Facility. Pursuant to Amendment No. 12, among other terms, SEA will be exempt from complying with its first lien secured leverage ratio covenant through the end of 2021, after which SEA will be required to comply with such covenants starting at the first quarter of 2022. For purposes of calculating compliance with such covenant, unless a Triggering Event occurs (as defined in Amendment No. 12), beginning with the first quarter of 2022, to the extent trailing Adjusted EBITDA (as defined in Amendment No. 12) for the second, third or fourth quarters of 2021 would have otherwise been included in the calculation of such covenant, in lieu of using actual Adjusted EBITDA for such periods, Adjusted EBITDA for such applicable periods will be deemed to be Adjusted EBITDA (as defined in Amendment No. 12) for the corresponding quarter of 2019.

See Note 11—Long-Term Debt to our consolidated financial statements for further details relating to the calculation beginning in the first quarter of 2022. In addition, SEA will be required to comply with a quarterly minimum liquidity test (defined as unrestricted cash and cash equivalents and available commitments under the Revolving Credit Facility) of not less than \$75.0 million until the earlier of September 30, 2022 or the date on which we elect to use actual Adjusted EBITDA for purposes of calculating its financial maintenance covenant.

### ***Adjusted EBITDA***

We believe that the presentation of Adjusted EBITDA is appropriate as it eliminates the effect of certain non-cash and other items not necessarily indicative of a company's underlying operating performance. The presentation of Adjusted EBITDA provides additional information to investors about the calculation of, and compliance with, certain financial covenants and other relevant metrics in the credit agreement governing the Senior Secured Credit Facilities. Adjusted EBITDA is a material component of these covenants. Adjusted EBITDA as defined in the Senior Secured Credit Facilities is consistent with our reported Adjusted EBITDA. See the "Our Indebtedness-Covenant Compliance" section for further details. We use Adjusted EBITDA in connection with certain components of our executive compensation program. In addition, investors, lenders, financial analysts and rating agencies have historically used EBITDA related measures in our industry, along with other measures, to estimate the value of a company, to make informed investment decisions and to evaluate companies in the industry.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States of America ("GAAP"), should not be considered in isolation or as a substitute for a measure of our financial performance prepared in accordance with GAAP and is not indicative of income from operations as determined under GAAP. Adjusted EBITDA and other non-GAAP financial measures have limitations which should be considered before using these measures to evaluate our financial performance. Adjusted EBITDA, as presented by us, may not be comparable to similarly titled measures of other companies due to varying methods of calculation.



The following table reconciles Adjusted EBITDA, as defined in the Amended Credit Agreement, to net (loss) income for the periods indicated.

	For the Year Ended December 31,		
	2020	2019	2018
	<i>(In thousands)</i>		
Net (loss) income .....	\$ (312,321)	\$ 89,476	\$ 44,788
(Benefit from) provision for income taxes .....	(30,525)	39,528	17,915
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs <sup>(a)</sup> .....	—	—	8,150
Interest expense .....	100,907	84,178	80,914
Depreciation and amortization .....	150,546	160,557	160,955
Equity-based compensation expense <sup>(b)</sup> .....	7,467	11,106	22,152
Loss on impairment or disposal of assets and certain non-cash expenses <sup>(c)</sup> .....	7,187	3,198	18,862
Business optimization, development and strategic initiative costs <sup>(d)</sup> .....	7,268	27,869	29,460
Certain investment costs and other taxes <sup>(e)</sup> .....	1,044	5,056	3,353
Other adjusting items <sup>(f)</sup> .....	(4,759)	35,954	14,730
Adjusted EBITDA <sup>(g)</sup> .....	(73,186)	456,922	401,279
<i>Items added back to Adjusted EBITDA, after cost savings, as defined in the Amended Credit Agreement:</i>			
Estimated cost savings <sup>(h)</sup> .....	—	11,300	23,400
Adjusted EBITDA, after cost savings <sup>(i)</sup> .....	<u>\$ (73,186)</u>	<u>\$ 468,222</u>	<u>\$ 424,679</u>

(a) Reflects a loss on early extinguishment of debt and write-off of discounts and debt issuance costs associated with an amendment to our Senior Secured Credit Facilities in 2018. See Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

(b) Reflects non-cash equity compensation expenses associated with the grants of equity compensation. For the year ended December 31, 2020, includes a reversal of equity compensation for certain performance vesting restricted units which are no longer considered probable of vesting. For the year ended December 31, 2018, includes approximately \$5.5 million, related to equity awards which were accelerated in connection with the departure of certain executives, as required by their respective employment agreements. See Note 19—Equity Based Compensation to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

(c) Reflects primarily non-cash expenses related to miscellaneous fixed asset disposals, including approximately \$6.7 million and \$2.7 million, respectively, associated with fixed asset disposals for the years ended December 31, 2020 and 2019. For the year ended December 31, 2018, reflects asset write-offs primarily related to certain rides and equipment which were removed from service. See Note 8—Property and Equipment, Net, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

(d) For the year ended December 31, 2020, business optimization, development and other strategic initiative costs primarily related to: (i) \$3.1 million in third party consulting costs and (ii) \$2.8 million of severance and other separation costs primarily related to the 2020 Restructuring Program. See Note 21 – Severance and Other Separation Costs in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

For the year ended December 31, 2019, business optimization, development and other strategic initiative costs primarily related to: (i) \$21.2 million of third-party consulting costs and (ii) \$4.2 million of severance and other employment costs.

For the year ended December 31, 2018, business optimization, development and other strategic initiative costs primarily related to: (i) \$17.4 million of severance and other employment costs which primarily includes costs associated with the departure of certain executives during 2018 and costs related to the 2018 Restructuring Program; (ii) \$10.7 million of third party consulting costs; and (iii) \$1.4 million of product and intellectual property development costs.

(e) For the year ended December 31, 2019, includes approximately \$4.3 million relating to expenses associated with the previously disclosed transfer of shares and HP Agreements. See Note 17—Related Party Transactions in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details. For the year ended December 31, 2018, reflects primarily a loss of approximately \$2.8 million relating to expenses incurred and fees associated with the termination of an agreement.

- (f) Reflects the impact of certain expenses, net of insurance recoveries and adjustments, which we are permitted to exclude under the credit agreement governing our Senior Secured Credit Facilities due to the unusual nature of the items. For the year ended December 31, 2020, includes approximately \$16.9 million of legal settlement proceeds partially offset by approximately \$8.8 million of incremental non-recurring costs associated with the COVID-19 pandemic and \$3.3 million in other legal fees. The legal settlement proceeds received in 2020 relate to the following: (i) \$12.5 million of insurance proceeds related to a legal settlement gain as previously disclosed and (ii) \$4.4 million related to the return of funds previously paid for a legal settlement. The costs associated with the COVID-19 pandemic primarily relate to incremental labor-related costs to prepare and operate the parks with enhanced safety measures, incremental third-party consulting costs primarily related to our COVID-19 response and safety communication strategies, contract termination or modification costs related to impacts from the temporary COVID-19 park closures, legal costs related to COVID-19 related matters, and temporary or initial purchases of safety monitoring and personal protective equipment.

For the year ended December 31, 2019, includes approximately \$32.1 million related to a legal settlement charge, net of insurance recoveries. For the year ended December 31, 2018, includes \$12.1 million related to legal settlements and \$5.1 million in related legal fees which were partially offset by approximately \$2.5 million of insurance recoveries received related to these legal matters.

See Note 15—Commitments and Contingencies in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

- (g) Adjusted EBITDA is defined as net (loss) income before income tax expense, interest expense, depreciation and amortization, as further adjusted to exclude certain non-cash, and other items permitted in calculating covenant compliance under the credit agreement governing our Senior Secured Credit Facilities.
- (h) The Senior Secured Credit Facilities permits the calculation of certain covenants to be based on Adjusted EBITDA, as defined above, for the last twelve month period further adjusted for net annualized estimated savings we expect to realize over the following 18 month period related to certain specified actions, including restructurings and cost savings initiatives. These estimated savings are calculated net of the amount of actual benefits realized during such period. These estimated savings are a non-GAAP Adjusted EBITDA add-back item only as defined in the Amended Credit Agreement and does not impact our reported GAAP net (loss) income. The Amended Credit Agreement limits the amount of such estimated savings which may be reflected to 25% of Adjusted EBITDA, calculated for the last twelve months before the impact of these estimated cost savings.
- (i) The Senior Secured Credit Facilities permits our calculation of certain covenants to be based on Adjusted EBITDA, as defined above, for the last twelve-month period further adjusted for net annualized estimated savings as described in footnote (h) above.

## Contractual Obligations

The following table summarizes our principal contractual obligations as of December 31, 2020:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			<i>(In thousands)</i>		
Long-term debt (including current portion) <sup>(a)</sup> .....	\$2,219,878	\$ 15,505	\$ 31,010	\$2,173,363	\$ —
Interest on long-term debt <sup>(b)</sup> .....	514,427	125,622	250,240	138,565	—
Operating and finance leases <sup>(c)</sup> .....	311,910	24,399	25,392	24,079	238,040
Purchase obligations, license commitments and other <sup>(d)</sup> .....	119,618	74,979	36,372	2,067	6,200
Total contractual obligations .....	<u>\$3,165,833</u>	<u>\$240,505</u>	<u>\$343,014</u>	<u>\$2,338,074</u>	<u>\$ 244,240</u>

- (a) Represents principal payments. See Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.
- (b) Includes amounts attributable to the Senior Secured Credit Facilities, Senior Notes and Second-Priority Senior Notes calculated as of December 31, 2020. See Note 11—Long-Term Debt to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.
- (c) Represents commitments under long-term operating and finance leases requiring annual minimum lease payments, primarily consisting of the lease for the land of our SeaWorld theme park in San Diego, California. Included in the less than 1 year column is approximately \$9.9 million in rent payments deferred related to the land lease as of December 31, 2020. See Note 14—Leases to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.
- (d) We have minimum purchase commitments with various vendors through 2031. Outstanding minimum purchase commitments consist primarily of capital expenditures related to future attractions, infrastructure enhancements for existing facilities and information technology products and services. Amounts have been calculated using early termination fees or non-cancelable minimum contractual obligations by period, as applicable, under contracts that were in effect as of December 31, 2020. In addition, in connection with the Sesame License Agreement, we have made certain commitments including opening a new Sesame Place theme park. As a result, obligations related to this agreement are included in the table above. For further details,

refer to Note 15—Commitments and Contingencies in our notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of December 31, 2020.

## **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, revenues and expenses, and disclosure of contingencies during the reporting period. Significant estimates and assumptions include the valuation and useful lives of long-lived tangible and intangible assets, the valuation of goodwill and other indefinite-lived intangible assets, the accounting for income taxes, the accounting for self-insurance and revenue recognition. Actual results could differ from those estimates.

We believe that the following discussion addresses our critical accounting policies which require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. For more discussion of these and other significant accounting policies, refer to Note 2—Summary of Significant Accounting Policies in our notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### ***Goodwill, Other Indefinite-Lived Intangible Assets and Long-Lived Assets***

At December 1, 2020, we performed a quantitative analysis on certain indefinite-lived intangible assets and determined fair value continued to exceed carrying value of the indefinite-lived intangible assets and therefore no impairment of the assets had occurred. During this quantitative assessment, we calculated that the fair value of the tested indefinite-lived intangible assets exceeded carrying value by 148%. Key assumptions utilized in the quantitative analysis was a weighted average cost of capital of 9.5% and an estimated royalty rate of 3%.

During the year ended December 31, 2020, due to the temporary park closures effective March 16, 2020 and the limited park reopenings resulting from the COVID-19 pandemic discussed previously, we identified triggering events and qualitatively evaluated our goodwill and other indefinite-lived intangible assets for further impairment analysis. Additionally, as of December 1, 2020, we also performed a qualitative impairment analysis of goodwill and the remaining other indefinite-lived intangible assets which included certain judgments and assumptions related to the impact of the park closures, reopening time frames and expected attendance levels upon reopening and determined that, based on the significant excess fair values over carrying values that previously existed, there was no impairment related to these assets. Additionally, using similar assumptions, we evaluated certain other long-lived assets, including our right of use assets for impairment. We compared the estimated undiscounted net cash flows of our long-lived and right of use assets to their respective carrying values. Based on the results of the analysis and our intent and ability to retain value and use for a period of time sufficient to allow for any anticipated recovery in market conditions, we concluded that the estimated undiscounted net cash flows for these assets exceeded its carrying value and therefore, no impairment of other long-lived assets had occurred.

Given the macroeconomic environment related to the COVID-19 pandemic and the uncertainties regarding the related impact on financial performance, there can be no assurance that the estimates and assumptions made for purposes of the impairment assessments will prove to be accurate predictions of the future. If our assumptions, as well as the economic outlook are not achieved, we may be required to record impairment charges in future periods, whether in connection with our next annual impairment testing, or on an interim basis, if any such change constitutes a triggering event outside of the period when we regularly perform our annual impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

For further details, also refer to Note 9—Goodwill and Tradenames/Trademarks, Net, in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### ***Accounting for Income Taxes***

We are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation periods for property and equipment and deferred revenue, for tax and financial accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We must then assess the likelihood that deferred tax assets (primarily net operating loss and charitable contribution carryforwards) will be recovered from future taxable income. To the extent that we believe that recovery is not more likely than not, a valuation allowance against those amounts is recorded. To the extent that we record a valuation allowance or a change in the valuation allowance during a period, we recognize these amounts as income tax expense or benefit in the consolidated statements of comprehensive (loss) income. Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”) contains rules that limit the ability of a company that undergoes an ownership change, which is generally any change in ownership of more than 50% of its stock over a rolling three-year period, to utilize its net operating loss carryforwards in years after the ownership change. These rules generally operate by focusing on ownership shifts among stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from shares of stock sold by these same stockholders.

Significant management judgment is required in determining our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. Management has analyzed all available evidence, both positive and negative, using a more likely than not standard in assessing the need for a valuation allowance against its deferred income tax assets. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, the duration of the statutory carryback and carryforward periods and tax planning alternatives. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we use to manage the underlying business.

We believe it is more likely than not that some of our deferred tax assets will not be realized. Therefore, we recorded a valuation allowance of approximately \$39.5 million for federal net operating loss carryforwards, approximately \$7.1 million for federal tax credits and approximately \$4.0 million for federal and state charitable contributions as of December 31, 2020. Separately, we recorded a valuation allowance of approximately \$15.0 million and \$5.2 million, net of federal tax benefit, on the deferred tax assets related to state net operating losses as of December 31, 2020 and 2019, respectively.

Our valuation allowances, in part, rely on estimates and assumptions related to our future financial performance. Given the macroeconomic environment related to the COVID-19 pandemic and the uncertainties regarding the related impact on financial performance, our valuation allowances may need to be adjusted in the future.

### ***Self-Insurance Reserves***

Reserves are recorded for the estimated amounts of guest and employee claims and expenses incurred each period that are not covered by insurance. Reserves are established for both identified claims and incurred but not reported (“IBNR”) claims. Such amounts are accrued for when claim amounts become probable and estimable. Reserves for identified claims are based upon our own historical claims experience and third-party estimates of settlement costs. Reserves for IBNR claims are based upon our own claims data history, as well as industry averages. All reserves are periodically reviewed for changes in facts and circumstances and adjustments are made as necessary.

## ***Revenue Recognition***

Admissions revenue consists of single-day tickets, annual or season passes or other multi-day or multi-park admission products. Food, merchandise and other revenue primarily consists of culinary, merchandise and other in-park products and also includes other miscellaneous revenue, which is not significant in the periods presented. For single-day tickets, we recognize revenue at a point in time, upon admission to the park, and for food, merchandise and other in-park products we recognize revenue when the related products or services are received by our guests. For annual or season passes and multi-use admission 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. We estimate a redemption rate using historical and forecasted growth rates and attendance trends by park for similar products. Attendance trends factor in seasonality 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 pass products purchased on an installment plan that have met their initial commitment period and have transitioned to a month to month basis, monthly charges are recognized as revenue when payments are received each month, with the exception of payments received during the temporary park closures. 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.

Certain admission products may also include bundled products at the time of purchase, such as culinary or merchandise items. We conduct 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, we allocate 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.

As a result of the temporary park closures due to the COVID-19 pandemic, we upgraded some of our pass products and extended pass expiration dates for at least the equivalent period the related parks were closed. As a result, we adjusted our estimated redemption and recognition patterns to reflect the fact that there was no attendance during the park closures and accordingly we did not recognize revenue from these admission products while the parks were closed. For passes under installment plans that have transitioned to a month to month basis, payments received during the closure period were recorded as deferred revenue and are recognized as revenue once the parks reopen over the equivalent period the respective parks were temporarily closed, which may not necessarily reflect attendance patterns for these guests. Accordingly, for these passes, we temporarily paused monthly charges as the parks reopen for the equivalent period the parks were closed. We have estimated future redemption and recognition patterns for admission pass products, which impacts the timing of when revenue is recognized on these products. Actual results could materially differ from these estimates depending on the ultimate extent of the effects of the COVID-19 pandemic. For further details, also refer to Note 4—Revenues, in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

### ***Inflation***

The impact of inflation has affected, and will continue to affect, our operations significantly. Our costs of food, merchandise and other revenues are influenced by inflation and fluctuations in global commodity prices. In addition, costs for construction, repairs and maintenance are all subject to inflationary pressures.

### ***Interest Rate Risk***

We are exposed to market risks from fluctuations in interest rates, and to a lesser extent on currency exchange rates, from time to time, on imported rides and equipment. The objective of our financial risk management is to reduce the potential negative impact of interest rate and foreign currency exchange rate fluctuations to acceptable levels. We do not acquire market risk sensitive instruments for trading purposes.

We previously managed interest rate risk through the use of a combination of fixed-rate long-term debt and interest rate swaps that fixed a portion of our variable-rate long-term debt. In May 2020, our interest rate swap agreements expired, as such, we did not have any derivative instruments outstanding as of December 31, 2020. We presently manage interest rate risk primarily by managing the amount, sources and duration of our debt funding. At December 31, 2020, approximately \$1.5 billion of our outstanding long-term debt represents variable-rate debt. Assuming an average balance on our revolving credit borrowings of approximately \$311.0 million, a hypothetical 100 bps increase in LIBOR would increase our annual interest expense by approximately \$9.0 million. Assuming no revolving credit borrowings, a hypothetical 100 bps increase in LIBOR would increase our annual interest expense by approximately \$5.9 million.

### ***COVID-19 Risks and Uncertainties***

See “Risk Factors” for further discussion of the adverse impacts of the COVID-19 pandemic on our business and financial performance.

## **Item 8. Financial Statements and Supplementary Data**

Our consolidated financial statements and the notes thereto are provided in Part IV, Item 15 of this Annual Report on Form 10-K.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), require public companies, including us, to maintain “disclosure controls and procedures,” which are defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. The design of any controls and procedures also is based on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at a reasonable assurance level.

### **Changes in Internal Control over Financial Reporting**

Regulations under the Exchange Act require public companies, including our Company, to evaluate any change in our “internal control over financial reporting” as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. We have not experienced any material impact to our internal controls over financial reporting despite the fact that certain employees worked remotely due to the COVID-19 related park closures and some continue to work on a remote basis. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness. There have been no changes in our internal control over financial reporting during the fiscal year covered by this Annual Report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

### **Management’s Report on Internal Control over Financial Reporting**

As required by the SEC’s rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2020. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*. Based on our assessments and those criteria, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2020.

## Report of Independent Registered Public Accounting Firm

The Company's independent registered public accounting firm has issued a report on the Company's internal control over financial reporting. This report appears on page F-4 in this Annual Report on Form 10-K.

## Item 9B. Other Information

### Rule 10b5-1 Plans

Our policy governing transactions in our securities by our directors, officers and employees permits such persons to adopt stock trading plans pursuant to Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Our directors, officers and employees have in the past and may from time to time establish such stock trading plans. We do not undertake any obligation to disclose, or to update or revise any disclosure regarding, any such plans and specifically do not undertake to disclose the adoption, amendment, termination or expiration of any such plans.

## PART III.

## Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

## Item 11. Executive Compensation

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information about our Equity Compensation Plan as of December 31, 2020:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders.....	679,988	\$ 21.51	7,678,394
Equity compensation plan not approved by security holders.....	—	—	—
Total.....	679,988	\$ 21.51	7,678,394

The remaining information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

## Item 14. Principal Accountant Fees and Services

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

**PART IV.**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm.....	F-2
Consolidated Balance Sheets.....	F-5
Consolidated Statements of Comprehensive (Loss) Income .....	F-6
Consolidated Statements of Changes in Stockholders' (Deficit) Equity.....	F-7
Consolidated Statements of Cash Flows .....	F-8
Notes to Consolidated Financial Statements .....	F-9 to F-38

2. Financial Statement Schedules

Schedule I—Registrant’s Condensed Financial Statements.....	F-39 to F-46
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Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein.

3. Exhibits

See the Exhibit Index beginning on page 59.



## Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on April 24, 2013 (File No. 001-35883))
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of SeaWorld Entertainment, Inc., effective June 15, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 17, 2016 (File No. 001-35883))
3.3	Third Amended and Restated Bylaws of SeaWorld Entertainment, Inc., effective June 14, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 16, 2017 (File No. 001-35883))
4.1*	Description of the Registrant's Securities
4.2	Indenture, dated as of April 30, 2020, among SeaWorld Parks & Entertainment, Inc., SeaWorld Entertainment, Inc., the other guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee and collateral agent. (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 30, 2020 (File No. 001-35883))
4.3	Indenture, dated as of August 5, 2020, among SeaWorld Parks & Entertainment, Inc., SeaWorld Entertainment, Inc., the other guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee and collateral agent. (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on August 5, 2020 (File No. 001-35883))
10.1	Amendment No. 9, dated as of October 31, 2018, to the Credit Agreement, among SeaWorld Parks & Entertainment, Inc., the guarantors party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent, L/C issuer and swing line lender and the other agents and lenders from time to time party thereto (the Amended credit Agreement is included as Exhibit A thereto) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 1, 2018 (File No. 001-35883))
10.2	Joinder Agreement, dated as of December 17, 2012, under the Credit Agreement, among SeaWorld of Texas Holdings, LLC, SeaWorld of Texas Management, LLC, SeaWorld of Texas Beverage, LLC and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.3	Joinder Agreement, dated as of May 6, 2015, among SWBG Orlando Corporate Operations Group, LLC, SEA Holdings I, LLC and Bank of America, N.A., as administrative agent and collateral agent, to the Credit Agreement, dated as of December 1, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 001-35883))
10.4	Security Agreement, dated as of December 1, 2009, among SW Acquisitions Co., Inc., the other grantors named therein and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.5	Supplement No. 1, dated as of December 17, 2012, to the Security Agreement among the grantors identified therein and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.6	Supplement No. 2, dated as of May 6, 2015, among SWBG Orlando Corporate Operations Group, LLC, SEA Holdings I, LLC and Bank of America, N.A., as collateral agent, to the Security Agreement, dated as of December 1, 2009 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 001-35883))
10.7	Pledge Agreement, dated as of December 1, 2009, between SeaWorld Entertainment, Inc. (f/k/a/SW Holdco, Inc.) and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.8	Patent Security Agreement, dated as of December 1, 2009, by SeaWorld Parks & Entertainment (f/k/a Busch Entertainment LLC) in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.9	Trademark Security Agreement, dated as of December 1, 2009, by SeaWorld Parks & Entertainment (f/k/a Busch Entertainment LLC) in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))

Exhibit No.	Description
10.10	Trademark Security Agreement, dated as of December 1, 2009, by Sea World LLC in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.11	Copyright Security Agreement, dated as of December 1, 2009, by SeaWorld Parks & Entertainment (f/k/a Busch Entertainment LLC) in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.12	Copyright Security Agreement, dated as of December 1, 2009, by Sea World LLC in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.13	Lease Amendment, dated January 9, 1978, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.14	Lease Amendment, dated March 6, 1979, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.15	Lease Amendment, dated December 12, 1983, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.16	Lease Amendment, dated June 24, 1985, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.17	Lease Amendment, dated September 22, 1986, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.18	Lease Amendment, dated June 29, 1998, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.19	Lease Amendment, dated July 9, 2002, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.20	Trademark License Agreement, dated December 1, 2009, by and between Anheuser-Busch Incorporated and Busch Entertainment LLC (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 filed on December 27, 2012 (File No. 333-185697))
10.21†	2013 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 filed on February 12, 2013 (File No. 333-185697))
10.22†	Form of Option Grant Notice and Option Agreement (Employees—Time-Based Options) (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 001-35883))
10.23†*	Third Amended & Restated Stock Ownership Guidelines, adopted February 19, 2020
10.24†	Amended and Restated Key Employee Severance Plan, effective March 1, 2017 (incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 001-35883))
10.25†	Incentive Compensation Clawback Policy, effective October 11, 2017 (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (File No. 001-35883))

<b>Exhibit No.</b>	<b>Description</b>
10.26	License Agreement, dated May 16, 2017, by and between Sesame Workshop and SeaWorld Parks & Entertainment, Inc. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (File No. 001-35883))
10.27†	SeaWorld Entertainment, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 16, 2017 (File No. 001-35883))
10.28†	Form of Amendment #1 to Restricted Stock Grant and Acknowledgment and Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 14, 2017 (File No. 001-35883))
10.29†	Form of Performance Stock Unit Grant Notice and Performance Stock Unit Agreement (Employees – Annual Incentive Award) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (File No. 001-35883))
10.30†	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (Employees – Time-Based Restricted Stock Units) (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (File No. 001-35883))
10.31†	Form of Performance Stock Unit Grant Notice and Performance Stock Unit Agreement (Employees – Performance-Based Restricted Stock Units) (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (File No. 001-35883))
10.32†	Form of Deferred Stock Unit Grant Notice and Deferred Stock Unit Agreement (Non-Employee Directors) (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (File No. 001-35883))
10.33†	Form of Restricted Stock Grant Notice and Restricted Stock Agreement (Employees—Annual Incentive Plan Award) (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-35883))
10.34†	Form of Restricted Stock Grant Notice and Restricted Stock Agreement (Senior Leadership Team—Time-Based Shares) (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-35883))
10.35†	Form of Restricted Stock Grant Notice and Restricted Stock Agreement (Senior Leadership Team—Performance-Based Shares) (incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-35883))
10.36	Cooperation Agreement, dated November 5, 2017, between Hill Path Capital LP and SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2017 (File No. 001-35883))
10.37	Side Letter, dated November 5, 2017, between SeaWorld Entertainment, Inc. and Hill Path Capital LP (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 7, 2017 (File No. 001-35883))
10.38	Park Exclusivity and Concept Design Agreement, dated as of March 24, 2017, between Sea Holdings I, LLC and Zhonghong Holding Co., Ltd. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed on March 24, 2017 (File No. 001-35883))
10.39	Center Concept and Preliminary Design Support Agreement, dated as of March 24, 2017 between Sea Holdings I, LLC and Zhonghong Holding Co., Ltd. (incorporated by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K filed on March 24, 2017 (File No. 001-35883))
10.40†	Offer Letter of Employment, Agreed and Accepted the 2nd day of June, 2018, between SeaWorld Entertainment, Inc. and Walter Bogumil (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 10-Q filed on May 8, 2019 (File No. 001-35883))

Exhibit No.	Description
10.41†	Form of Performance Stock Unit Grant Notice and Restricted Stock Unit Agreement (Employees – Annual Incentive Plan Award) (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 10-Q filed on May 8, 2019 (File No. 001-35883))
10.42†	Form of Option Grant Notice and Option Agreement (Tier 2– Time-Based Options) (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 10-Q filed on May 8, 2019 (File No. 001-35883))
10.43†	Form of Performance Stock Unit Grant Notice and Restricted Stock Unit Agreement (Senior Leadership Team Executive Employees – Performance-Based Restricted Stock Units) (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 10-Q filed on May 8, 2019 (File No. 001-35883))
10.44	Amended and Restated Undertaking Agreement, dated May 27, 2019, by and among SeaWorld Entertainment, Inc. and Hill Path Capital LP, Scott I. Ross and James P. Chambers (incorporated by reference to Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed on May 28, 2019 (File No. 001-35883))
10.45	Registration Rights Agreement, dated May 27, 2019, between Hill Path Capital LP and certain of its affiliates and SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed on May 28, 2019 (File No. 001-35883))
10.46	Stockholders Agreement, dated May 27, 2019, between Hill Path Capital LP and SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on May 28, 2019 (File No. 001-35883))
10.47†	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2019 Time-Based Restricted Stock Units) (incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q-K filed on November 7, 2019 (File No. 001-35883))
10.48†	Employment Agreement, dated November 6, 2019, between SeaWorld Entertainment, Inc. and Sergio Rivera (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on November 7, 2019 (File No. 001-35883))
10.49	Amendment No. 10, dated as of March 10, 2020, to the Credit Agreement, dated as of December 1, 2009, among SeaWorld Parks & Entertainment, Inc., the several banks and other financial institutions or entities from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., as L/C issuer and swing line lender and the other parties thereto. (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on March 11, 2020 (File No. 001-35883))
10.50	Amendment No. 11, dated as of April 19, 2020, to the Credit Agreement, dated as of December 1, 2009, among SeaWorld Parks & Entertainment, Inc., the several banks and other financial institutions or entities from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., as L/C issuer and swing line lender and the other parties thereto. (incorporated by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q filed on May 8, 2020 (File No. 001-35883))
10.51	First-Lien Intercreditor Agreement, dated as of April 30, 2020, among SeaWorld Parks & Entertainment, Inc., the other grantors from time to time party thereto, JPMorgan Chase Bank, N.A., as collateral agent for the Credit Agreement Secured Parties (as defined therein), JPMorgan Chase Bank, N.A. as authorized representative for the Credit Agreement Secured Parties, Wilmington Trust, National Association, as collateral agent for the Initial Additional First-Lien Secured Parties (as defined therein), Wilmington Trust, National Association, as authorized representative for the Initial Additional First-Lien Secured Parties and each additional authorized representative from time to time party thereto. (incorporated by reference to Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.52	Security Agreement, dated as of April 30, 2020, among SeaWorld Parks & Entertainment, Inc., SeaWorld Entertainment, Inc., the other grantors from time to time party thereto and Wilmington Trust, National Association, as collateral agent. (incorporated by reference to Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.53	Pledge Agreement, dated as of April 30, 2020, among SeaWorld Entertainment, Inc. and Wilmington Trust, National Association, as collateral agent. (incorporated by reference to Exhibit 10.5 to the Registrant’s Quarterly Report on Form 10-Q filed on May 8, 2020 (File No. 001-35883))

Exhibit No.	Description
10.54	Copyright Security Agreement, dated as of April 30, 2020, by SeaWorld Parks & Entertainment, Inc., Sea World LLC and SeaWorld Parks & Entertainment LLC, in favor of Wilmington Trust, National Association, as collateral agent. (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2020 (File No. 001-35883))
10.55	Patent Security Agreement, dated as of April 30, 2020, by SeaWorld Parks & Entertainment, Inc., in favor of Wilmington Trust, National Association, as collateral agent. (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2020 (File No. 001-35883))
10.56	Trademark Security Agreement, dated as of April 30, 2020, by SeaWorld Parks & Entertainment, Inc., Sea World LLC and SeaWorld Parks & Entertainment LLC, and in favor of Wilmington Trust, National Association, as collateral agent. (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2020 (File No. 001-35883))
10.57†	Form of 2020 Letter Amendment to Performance Stock Unit Award Agreement. (incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2020 (File No. 001-35883))
10.58	Amendment No. 12, dated as of July 29, 2020, to the Credit Agreement, dated as of December 1, 2009, among SeaWorld Parks & Entertainment, Inc., the several banks and other financial institutions or entities from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., as L/C issuer and swing line lender and the other parties thereto. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.59	Intercreditor Agreement, dated as of August 5, 2020, among JPMORGAN CHASE BANK, N.A., as Credit Agreement Agent, WILMINGTON TRUST, NATIONAL ASSOCIATION, as First Priority Notes Collateral Agent, each Other First Priority Lien Obligations Agent from time to time party hereto, each in its capacity as First Lien Agent, WILMINGTON TRUST, NATIONAL ASSOCIATION, solely in its capacity as Trustee and Second Priority Collateral Agent and each collateral agent for any Future Second Lien Indebtedness from time to time party hereto, each in its capacity as Second Priority Agent. incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.60	Second Lien Security Agreement, dated as of August 5, 2020, among the Grantors and Wilmington Trust, National Association, as Collateral Agent for the Secured Parties. incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.61	Second Lien Pledge Agreement, dated as of August 5, 2020, among SeaWorld Entertainment, Inc. and Wilmington Trust, National Association, as collateral agent. incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.62	Copyright Security Agreement, dated as of August 5, 2020, by SeaWorld Parks & Entertainment, Inc., Sea World LLC and SeaWorld Parks & Entertainment LLC, in favor of Wilmington Trust, National Association, as collateral agent. incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.63	Patent Security Agreement, dated as of August 5, 2020, by SeaWorld Parks & Entertainment, Inc., in favor of Wilmington Trust, National Association, as collateral agent. incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.64†	Trademark Security Agreement, dated as of August 5, 2020, by SeaWorld Entertainment, Inc., Sea World LLC and SeaWorld Parks & Entertainment LLC, and in favor of Wilmington Trust, National Association, as collateral agent. incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed on August 10, 2020 (File No. 001-35883))
10.65†*	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (Non-Employee Directors)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K filed on February 26, 2016 (File No. 001-35883))
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Annual Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Annual Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002

**Exhibit No. Description**

- |       |  |
|-------|--|
| 32.1* | Certification of Chief Executive Officer Pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2* | Certification of Chief Financial Officer Pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101*  | Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K |
| 104*  | Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set  |

† Identifies exhibits that consist of a management contract or compensatory plan or arrangement.  
\* Filed herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**Item 16. Form 10-K Summary**

None.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SeaWorld Entertainment, Inc.

Date: February 26, 2021

By: /S/ MARC G. SWANSON

Name: Marc G. Swanson

Title: Interim Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Date	Capacity
<u>/S/ MARC G. SWANSON</u> Marc G. Swanson	February 26, 2021	Interim Chief Executive Officer (Principal Executive Officer)
<u>/S/ ELIZABETH C. GULACSY</u> Elizabeth C. Gulacsy	February 26, 2021	Interim Chief Financial Officer and Chief Accounting Officer (Principal Financial and Accounting Officer)
<u>/S/ RONALD BENSION</u> Ronald Bension	February 26, 2021	Director
<u>/S/ JAMES CHAMBERS</u> James Chambers	February 26, 2021	Director
<u>/S/ WILLIAM GRAY</u> William Gray	February 26, 2021	Director
<u>/S/ TIMOTHY J. HARTNETT</u> Timothy J. Hartnett	February 26, 2021	Director
<u>/S/ CHARLES KOPPELMAN</u> Charles Koppelman	February 26, 2021	Director
<u>/S/ YOSHIKAZU MARUYAMA</u> Yoshikazu Maruyama	February 26, 2021	Director
<u>/S/ THOMAS E. MOLONEY</u> Thomas E. Moloney	February 26, 2021	Director
<u>/S/ NEHA JOGANI NARANG</u> Neha Jogani Narang	February 26, 2021	Director
<u>/S/ SCOTT I. ROSS</u> Scott I. Ross	February 26, 2021	Director
<u>/S/ KIMBERLY K. SCHAEFER</u> Kimberly K. Schaefer	February 26, 2021	Director

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**SEAWORLD ENTERTAINMENT, INC.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of SeaWorld Entertainment, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SeaWorld Entertainment, Inc. and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive (loss) income, changes in stockholders’ (deficit) equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2021, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Change in Accounting Principle

Effective January 1, 2019, the Company adopted Financial Accounting Standards Board Topic Accounting Standards Codification 842—*Leases*, using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinions on the critical audit matters or on the accounts or disclosures to which it relates.

### Revenue Recognition—Deferred Revenue Related to Annual and Season Admission Pass Products—Refer to Note 2 and Note 4 to the consolidated financial statements

#### *Critical Audit Matter Description*

The Company’s annual and season passes allow guests access to specific parks over a specified time period. Such 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 and are adjusted based on actual trends periodically. As a result of the temporary park closures due to the COVID-19 pandemic, the Company upgraded some of their pass products and extended pass expiration dates for at least the equivalent period the related parks were closed which were considered in the estimated redemption and recognition patterns. Revenue is recognized on a pro rata basis based on the estimated allocated selling price of the admission product.

The Company tracks and recognizes deferred revenue utilizing internally developed models. Auditing the attendance projections by park, which is the primary input used in the deferred revenue models, and the redemption rates calculated through the models, required extensive audit effort due to the complexity and manual nature of the models.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the attendance projections by park and the recognition of revenue from the deferred revenue related to annual and season admission pass products included the following, among others:

- We tested the effectiveness of management's controls over revenue recognition related to annual and season admission pass products, including controls over actual and forecasted attendance used in the models.
- We evaluated management's ability to accurately forecast expected attendance by comparing actual results to management's historical forecasts on a quarterly basis.
- We evaluated the reasonableness of the current-year attendance forecasts compared to historical results, considering recent trends in the Company's attendance.
- We tested the mathematical accuracy and appropriateness of management's deferred revenue models and timing of recognition, including changes to the model to account for pass extensions as a result of park closures.
- We detail tested the deferred revenue balances, related to annual and season admission pass products. Further, we evaluated the reasonableness of the expected future relief of the deferred balances, in particularly with respect to the impact of COVID-19 and pass product upgrades and extensions.

*/s/ Deloitte & Touche LLP*

Tampa, Florida  
February 26, 2021

We have served as the Company's auditor since 2009.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the stockholders and the Board of Directors of SeaWorld Entertainment, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of SeaWorld Entertainment, Inc. and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020 of the Company and our report dated February 26, 2021, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s adoption of a new accounting standard.

### **Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Tampa, Florida  
February 26, 2021

**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except share and per share amounts)*

	December 31,	
	2020	2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents .....	\$ 433,909	\$ 39,946
Accounts receivable, net .....	30,410	49,728
Inventories .....	30,700	33,163
Prepaid expenses and other current assets .....	12,418	46,312
Total current assets .....	507,437	169,149
Property and equipment, at cost .....	3,272,705	3,209,521
Accumulated depreciation .....	(1,611,745)	(1,476,059)
Property and equipment, net .....	1,660,960	1,733,462
Goodwill .....	66,278	66,278
Trade names/trademarks, net .....	157,000	157,000
Right of use assets-operating leases .....	136,572	141,438
Deferred tax assets, net .....	22,847	19,013
Other assets, net .....	15,264	14,178
<b>Total assets .....</b>	<b>\$ 2,566,358</b>	<b>\$ 2,300,518</b>
<b>Liabilities and Stockholders' (Deficit) Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses .....	\$ 105,369	\$ 131,503
Current maturities of long-term debt .....	15,505	65,505
Operating lease liabilities .....	3,757	3,896
Accrued salaries, wages and benefits .....	10,781	15,499
Deferred revenue .....	130,759	104,416
Other accrued liabilities .....	50,950	81,841
Total current liabilities .....	317,121	402,660
Long-term debt, net .....	2,177,137	1,482,619
Long-term operating lease liabilities .....	120,144	124,339
Deferred tax liabilities, net .....	15,772	42,773
Other liabilities .....	41,987	37,235
Total liabilities .....	2,672,161	2,089,626
<b>Commitments and contingencies (Note 15)</b>		
<b>Stockholders' (Deficit) Equity:</b>		
Preferred stock, \$0.01 par value—authorized, 100,000,000 shares, no shares issued or outstanding at December 31, 2020 and 2019 .....	—	—
Common stock, \$0.01 par value—authorized, 1,000,000,000 shares; 94,652,248 and 94,044,203 shares issued at December 31, 2020 and 2019, respectively .....	946	940
Additional paid-in capital .....	680,360	673,893
Accumulated other comprehensive loss .....	—	(1,559)
Accumulated deficit .....	(371,800)	(59,479)
Treasury stock, at cost (16,260,248 and 15,790,463 shares at December 31, 2020 and 2019, respectively) .....	(415,309)	(402,903)
Total stockholders' (deficit) equity .....	(105,803)	210,892
<b>Total liabilities and stockholders' (deficit) equity .....</b>	<b>\$ 2,566,358</b>	<b>\$ 2,300,518</b>

See accompanying notes to consolidated financial statements.

**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

*(In thousands, except per share amounts)*

	Year Ended December 31,		
	2020	2019	2018
<b>Net revenues:</b>			
Admissions.....	\$ 255,376	\$ 802,834	\$ 798,793
Food, merchandise and other .....	176,403	595,410	573,497
Total revenues .....	<u>431,779</u>	<u>1,398,244</u>	<u>1,372,290</u>
<b>Costs and expenses:</b>			
Cost of food, merchandise and other revenues .....	36,712	108,953	106,604
Operating expenses (exclusive of depreciation and amortization shown separately below) .....	388,473	649,657	705,954
Selling, general and administrative expenses .....	94,885	261,701	229,724
Severance and other separation costs.....	2,826	4,176	17,386
Depreciation and amortization.....	150,546	160,557	160,955
Total costs and expenses .....	<u>673,442</u>	<u>1,185,044</u>	<u>1,220,623</u>
Operating (loss) income.....	(241,663)	213,200	151,667
Other expense (income), net .....	276	18	(100)
Interest expense.....	100,907	84,178	80,914
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs.....	—	—	8,150
(Loss) income before income taxes.....	(342,846)	129,004	62,703
(Benefit from) provision for income taxes .....	(30,525)	39,528	17,915
<b>Net (loss) income</b> .....	<u>\$ (312,321)</u>	<u>\$ 89,476</u>	<u>\$ 44,788</u>
<b>Other comprehensive income (loss):</b>			
Unrealized gain (loss) on derivatives, net of tax .....	1,559	(3,843)	8,454
<b>Comprehensive (loss) income</b> .....	<u>\$ (310,762)</u>	<u>\$ 85,633</u>	<u>\$ 53,242</u>
<b>(Loss) earnings per share:</b>			
(Loss) earnings per share, basic .....	\$ (3.99)	\$ 1.11	\$ 0.52
(Loss) earnings per share, diluted .....	<u>\$ (3.99)</u>	<u>\$ 1.10</u>	<u>\$ 0.52</u>
<b>Weighted average common shares outstanding:</b>			
Basic.....	<u>78,194</u>	<u>80,309</u>	<u>86,170</u>
Diluted .....	<u>78,194</u>	<u>81,044</u>	<u>86,910</u>

See accompanying notes to consolidated financial statements.

**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY**  
*(In thousands, except per share and share amounts)*

	Shares of Common Stock Issued	Common Stock	Additional Paid-In Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock, at Cost	Total Stockholders' (Deficit) Equity
<b>Balance at December 31, 2017</b> .....	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.....	—	—	22,152	—	—	—	22,152
Unrealized gain on derivatives, net of tax expense of \$3,111.....	—	—	—	—	8,454	—	8,454
Vesting of restricted shares.....	725,646	7	(7)	—	—	—	—
Shares withheld for tax withholdings.....	(197,097)	(1)	(3,976)	—	—	—	(3,977)
Exercise of stock options.....	234,977	2	4,280	—	—	—	4,282
Adjustments to previous dividend declarations.....	—	—	61	—	—	—	61
Repurchase of 3,654,816 shares of treasury stock, at cost.....	—	—	—	—	—	(98,032)	(98,032)
Net income.....	—	—	—	44,788	—	—	44,788
<b>Balance at December 31, 2018</b> .....	93,400,929	934	663,834	(148,955)	2,284	(252,903)	265,194
Equity-based compensation.....	—	—	11,106	—	—	—	11,106
Unrealized loss on derivatives, net of tax benefit of \$1,421.....	—	—	—	—	(3,843)	—	(3,843)
Vesting of restricted shares.....	608,851	6	(6)	—	—	—	—
Shares withheld for tax withholdings.....	(176,673)	(2)	(4,839)	—	—	—	(4,841)
Exercise of stock options.....	211,096	2	3,793	—	—	—	3,795
Adjustments to previous dividend declarations.....	—	—	5	—	—	—	5
Repurchase of 5,615,874 shares of treasury stock, at cost.....	—	—	—	—	—	(150,000)	(150,000)
Net income.....	—	—	—	89,476	—	—	89,476
<b>Balance at December 31, 2019</b> .....	94,044,203	940	673,893	(59,479)	(1,559)	(402,903)	210,892
Equity-based compensation.....	—	—	7,467	—	—	—	7,467
Unrealized gain on derivatives, net of tax expense of \$572.....	—	—	—	—	1,559	—	1,559
Vesting of restricted shares.....	609,286	6	(6)	—	—	—	—
Shares withheld for tax withholdings.....	(158,865)	(2)	(3,913)	—	—	—	(3,915)
Exercise of stock options.....	157,624	2	2,918	—	—	—	2,920
Adjustments to previous dividend declarations.....	—	—	1	—	—	—	1
Repurchase of 469,785 shares of treasury stock, at cost.....	—	—	—	—	—	(12,406)	(12,406)
Net loss.....	—	—	—	(312,321)	—	—	(312,321)
<b>Balance at December 31, 2020</b> .....	<u>94,652,248</u>	<u>\$ 946</u>	<u>\$ 680,360</u>	<u>\$ (371,800)</u>	<u>\$ —</u>	<u>\$(415,309)</u>	<u>\$ (105,803)</u>

See accompanying notes to consolidated financial statements.

**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In thousands)*

	Year Ended December 31,		
	2020	2019	2018
<b>Cash Flows From Operating Activities:</b>			
Net (loss) income .....	\$ (312,321)	\$ 89,476	\$ 44,788
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization .....	150,546	160,557	160,955
Amortization of debt issuance costs and discounts .....	5,025	3,446	4,461
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs .....	—	—	8,150
Deferred income tax (benefit) provision .....	(31,414)	37,998	16,894
Equity-based compensation .....	7,467	11,106	22,152
Other including loss on impairment or disposal of assets, net .....	6,046	4,616	19,681
Changes in assets and liabilities:			
Accounts receivable .....	24,761	10,865	(24,347)
Inventories .....	2,267	721	(4,620)
Prepaid expenses and other current assets .....	5,210	(27,359)	(2,275)
Accounts payable and accrued expenses .....	1,640	2,733	13,317
Accrued salaries, wages and benefits .....	(4,718)	(5,467)	6,051
Deferred revenue .....	25,065	665	25,611
Other accrued liabilities .....	(422)	57,684	3,417
Right-of-use assets and operating lease liabilities .....	561	501	—
Other assets and liabilities .....	(442)	874	(300)
Net cash (used in) provided by operating activities .....	(120,729)	348,416	293,935
<b>Cash Flows From Investing Activities:</b>			
Capital expenditures .....	(109,175)	(195,217)	(179,770)
Other investing activities, net .....	—	24	(259)
Net cash used in investing activities .....	(109,175)	(195,193)	(180,029)
<b>Cash Flows From Financing Activities:</b>			
Proceeds from the issuance of debt, net .....	713,658	—	543,935
Repayments of long-term debt .....	(15,505)	(15,506)	(565,592)
Proceeds from draw on revolving credit facility .....	272,500	294,000	95,000
Repayments of revolving credit facility .....	(322,500)	(274,000)	(80,000)
Purchase of treasury stock .....	(12,406)	(150,000)	(98,032)
Payment of tax withholdings on equity-based compensation through shares withheld .....	(3,915)	(4,841)	(3,977)
Exercise of stock options .....	2,920	3,795	4,282
Debt issuance costs .....	(7,530)	—	(8,086)
Other financing activities .....	(3,018)	(753)	(426)
Net cash provided by (used in) financing activities .....	624,204	(147,305)	(112,896)
<b>Change in Cash and Cash Equivalents, including Restricted Cash .....</b>	<b>394,300</b>	<b>5,918</b>	<b>1,010</b>
Cash and Cash Equivalents, including Restricted Cash—Beginning of year .....	40,925	35,007	33,997
<b>Cash and Cash Equivalents, including Restricted Cash—End of year .....</b>	<b>\$ 435,225</b>	<b>\$ 40,925</b>	<b>\$ 35,007</b>
<b>Supplemental Disclosures of Noncash Investing and Financing Activities</b>			
Capital expenditures in accounts payable and accrued expenses .....	\$ 12,544	\$ 39,538	\$ 30,760
Other financing arrangements .....	\$ 3,890	\$ —	\$ —

See accompanying notes to consolidated financial statements.



## SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. 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. Prior to December 1, 2009, the Company did not have any operations. On December 1, 2009, the Company acquired all of the outstanding equity interest of Busch Entertainment LLC and affiliates from Anheuser Busch Companies, Inc. and Anheuser-Busch InBev SA/NV (“ABI”). At that time, the Company was owned by ten limited partnerships, ultimately controlled by affiliates of The Blackstone Group L.P. (“Blackstone”) and certain co-investors. The Company completed an initial public offering in April 2013. See further discussion relating to subsequent ownership changes in Note 17—Related-Party Transactions.

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 attraction theme parks in Orlando, Florida (Aquatica); San Antonio, Texas (Aquatica); Chula Vista, 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 theme park in Langhorne, Pennsylvania (Sesame Place).

Historically more than 50% of the Company’s revenues were generated in the State of Florida which exposes the Company to risks affecting the Florida market, such as natural disasters, severe weather or other incidents. During the year ended December 31, 2020, more than 70% of the Company’s revenues were generated in the State of Florida, due in part to the temporary park closures and limited operations as a result of the COVID-19 pandemic. See *Impact of Global COVID-19 Pandemic* section which follows for further discussion on factors impacting 2020 revenues.

#### Impact of Global COVID-19 Pandemic

In response to the COVID-19 pandemic, and in compliance with government restrictions, the Company temporarily closed all of its theme parks effective March 16, 2020. Beginning in June 2020, the Company began the phased reopening of some of its parks with enhanced health, safety and sanitizing measures, capacity limitations, modified/limited operations, reduced hours and/or reduced operating days. In particular, on June 6, its Aquatica water park in Texas reopened; on June 11, all five of its Florida parks reopened; on June 19, its SeaWorld park in Texas reopened; on July 24, its Sesame Place park in Pennsylvania reopened; on August 5, its Busch Gardens park in Virginia reopened and on August 28, its SeaWorld park in California reopened on a limited basis, following the State of California’s guidance for reopening zoos. In compliance with revised state governmental restrictions issued late in the fourth quarter in California, the Company once again closed its SeaWorld park in California effective December 7, 2020. The Company was unable to open its Aquatica water park in California and its Water Country USA water park in Virginia for the 2020 operating season. Additionally, during the third quarter, the State of Virginia had a state mandated capacity restriction of 1,000 guests at a time which significantly restricted attendance for the Company’s Busch Gardens park in that state. On October 29, 2020, the State of Virginia revised its theme park guidance and modified the methodology for calculating capacity at theme parks. As a result, capacity at this park increased from 1,000 guests to approximately 4,000 guests at a time.

On January 15, 2021, while the Company’s SeaWorld park in California remained closed, the Company introduced a limited time drive-through only experience for guests at this park. Subsequently, based on updated state government guidance issued in January 2021, the Company has since reopened its SeaWorld park in California on February 6, 2021 on a limited basis, once again following California guidance for reopening zoos. The Company continues to monitor guidance from, and engage with, federal, state and local authorities and may adjust its plans accordingly.

Since the COVID-19 pandemic began, the Company has taken proactive measures for the safety of its guests, employees and animals, to manage costs and expenditures, and to maximize liquidity in response to the temporary park closures and limited reopenings related to the COVID-19 pandemic. Some of these measures included, but are not limited to: (i) increased its revolving credit commitments on March 10th; (ii) issued \$227.5 million in first-priority senior secured notes and \$500.0 million in second-priority senior secured notes to raise additional capital and further enhance available liquidity; (iii) entered into amendments to its existing senior secured credit facilities to amend financial covenants; (iv) furloughed approximately 95% of its employees upon closing all of its parks; (v) obtained payroll tax credits and deferred certain social security payroll taxes under the CARES act; (vi) temporarily reduced executive officers’ base salary by 20% through November 2020; (vii) eliminated and/or deferred all non-essential operating expenses at all of its parks and corporate headquarters while the parks were closed and actively managing operating expenses; (viii) eliminated substantially all advertising and marketing spend while the parks were closed and strategically managing marketing spend as parks reopened; (ix) substantially reduced or deferred all capital expenditures starting in March 2020 (other than minimal essential capital expenditures) when the parks were closed and postponed the opening of rides that were still under construction and scheduled to open in 2020; (x) worked with certain of its vendors and other business partners to manage, defer, and/or abate certain costs and payments and; (xi) added additional levels of review and approval for payments and cash disbursements which remains in place. Concurrent with the reopening of some of its parks, the Company began to prudently bring some employees back from furlough. Some of its

employees remain on furlough while others have been transitioned from a furloughed status to a permanent layoff. See Note 21—Severance and Other Separation Costs for additional disclosure.

The COVID-19 pandemic, resulting park closures and limited park reopenings have had, and are likely to continue to have, a material impact on the Company’s financial results.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and 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 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 and liabilities, deferred revenue, equity compensation, the valuation of goodwill and other indefinite-lived intangible assets as well as reviews for potential impairment of long-lived assets. Estimates are based on various factors including current and historical trends, as well as other pertinent company and industry data. The Company regularly evaluates this information to determine if it is necessary to update the basis for its estimates and to adjust for known changes. Actual results could differ from those estimates. Based on the uncertainty relating to the COVID-19 pandemic, including but not limited to the extent, duration and impact of park closures, limited park reopenings, capacity limitations due to social distancing guidelines, public sentiment on social gatherings, travel and attendance patterns, potential supply chain disruptions and additional actions which could be taken by government authorities to manage the pandemic, the Company is not certain of the ultimate impact the COVID-19 pandemic could have on its estimates, business or results of operations.

### Cash and Cash Equivalents

Cash and cash equivalents include cash held at financial institutions as well as operating cash onsite at each theme park to fund daily operations and amounts due from third-party credit card companies with settlement terms of less than four days. The amounts due from third-party credit card companies totaled \$4.9 million and \$9.7 million at December 31, 2020 and 2019, respectively. The cash balances in all accounts held at financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”) through December 31, 2020. At times, cash balances may exceed federally insured amounts and potentially subject the Company to a concentration of credit risk. Management believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of the respective financial institutions.

From time to time, the Company may invest in certain highly liquid instruments with original maturities of three months or less. These instruments may include money market mutual funds, certificates of deposit or time deposits, among others, which may or may not qualify for FDIC insurance. The Company classifies any such instruments as cash and cash equivalents based on their short-term maturities.

### Restricted Cash

Restricted cash is recorded in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Restricted cash consists primarily of funds received from strategic partners for use in approved marketing and promotional activities.

	December 31, 2020	December 31, 2019
	<i>(In thousands)</i>	
Cash and cash equivalents .....	\$ 433,909	\$ 39,946
Restricted cash, included in prepaid expenses and other current assets .....	1,316	979
Total cash, cash equivalents and restricted cash .....	<u>\$ 435,225</u>	<u>\$ 40,925</u>

### Accounts Receivable—Net

Accounts receivable are reported at net realizable value and consist primarily of amounts due from customers for the sale of admission products, including amounts due for admissions products purchased on monthly installment arrangements. The Company is not exposed to a significant concentration of credit risk. The Company records an allowance on trade accounts receivable with an offset to the provision for bad debt for estimated credit losses expected based on its history of uncollectable accounts. For all periods presented,

the provision for bad debt was immaterial. The Company also records an allowance for estimated credit losses on amounts due from monthly installment arrangements based on historical default rates. As of December 31, 2020 and 2019, the Company recorded \$6.7 million and \$12.1 million, respectively, as an allowance on its installment arrangements, which is included in accounts receivable, net, in the accompanying consolidated balance sheets, with a corresponding reduction to deferred revenue.

**Inventories**

Inventories are accounted for using the weighted average cost method and are stated at the lower of cost or net realizable value. Inventories consist primarily of products for resale, including merchandise, culinary items and miscellaneous supplies. Obsolete or excess inventories are recorded at their estimated realizable value.

**Property and Equipment—Net**

Property and equipment are recorded at cost. The cost of ordinary or routine maintenance, repairs, spare parts and minor renewals is expensed as incurred. Development costs associated with new attractions and products are generally capitalized after necessary feasibility studies have been completed and final concept or contracts have been approved. The cost of assets is depreciated using the straight-line method based on the following estimated useful lives:

Land improvements .....	10-40 years
Buildings.....	5-40 years
Rides, attractions and equipment.....	3-20 years
Animals.....	1-50 years

Certain costs related to animals exhibited in the theme parks are capitalized and amortized over their estimated lives (1-50 years). All costs to care for animals are expensed as incurred. Construction in progress assets consist primarily of new rides, attractions and infrastructure improvements that have not yet been placed in service. These assets are stated at cost and are not depreciated. Once construction of the assets is completed and placed into service, assets are reclassified to the appropriate asset class based on their nature and depreciated in accordance with the useful lives above. Debt interest is capitalized on all active construction projects. Total interest capitalized for the years ended December 31, 2020, 2019 and 2018 was \$6.3 million, \$4.6 million and \$4.2 million, respectively.

**Computer System Development Costs**

The Company capitalizes computer system development costs that meet established criteria and, once placed in service, amortizes those costs to expense on a straight-line basis over five years. Total capitalized costs related to computer system development costs, net of accumulated amortization, were \$2.4 million and \$4.2 million as of December 31, 2020 and 2019, respectively, and are recorded in other assets in the accompanying consolidated balance sheets. Accumulated amortization was \$11.2 million and \$9.5 million as of December 31, 2020 and 2019, respectively. Amortization expense of capitalized computer system development costs during the years ended December 31, 2020, 2019 and 2018 was \$1.7 million, \$2.2 million and \$3.7 million, respectively, and is recorded in depreciation and amortization in the accompanying consolidated statements of comprehensive (loss) income. Systems reengineering costs do not meet the proper criteria for capitalization and are expensed as incurred.

**Goodwill and Other Indefinite-Lived Intangible Assets**

Goodwill and other indefinite-lived intangible assets are not amortized, but instead reviewed for impairment at least annually on December 1, and as of an interim date should factors or indicators become apparent that would require an interim test, with ongoing recoverability based on applicable reporting unit overall financial performance and consideration of significant events or changes in the overall business environment or macroeconomic conditions. Such events or changes in the overall business environment could include, but are not limited to, significant negative trends or unanticipated changes in the competitive or macroeconomic environment.

In assessing goodwill for impairment, the Company may choose to initially evaluate qualitative factors to determine if it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. The Company considers several factors, including macroeconomic conditions, industry and market conditions, overall financial performance of the reporting unit, changes in management, strategy or customers, and relevant reporting unit specific events such as a change in the carrying amount of net assets, a more likely than not expectation of selling or disposing all, or a portion, of a reporting unit, and the testing of recoverability of a significant asset group within a reporting unit. If the qualitative assessment is not conclusive, then a quantitative impairment analysis for goodwill is performed at the reporting unit level. The Company may also choose to perform this quantitative impairment analysis instead of the qualitative analysis. The quantitative impairment analysis compares the estimated fair value of the reporting unit, determined using the income and/or market approach, to its recorded amount. If the recorded amount exceeds the fair value, then a goodwill impairment charge is recorded for the difference up to the recorded amount of goodwill.

The determination of fair value in the Company's goodwill impairment analysis is based on an estimate of fair value for the relevant reporting unit utilizing known and estimated inputs at the evaluation date. Some of those inputs include, but are not limited to, estimates of future revenue and expense growth, estimated market multiples, expected capital expenditures, income tax rates and cost of invested capital.

The Company's other indefinite-lived intangible assets consist of certain trade names/trademarks and other intangible assets which, after considering legal, regulatory, contractual, and other competitive and economic factors, are determined to have indefinite lives and are valued using the relief from royalty method. Trade names/trademarks are combined by brand as a unit of accounting when testing for impairment as the brand represents the highest and best use of the asset and drives the Company's marketing strategy and international license agreements. Estimates required in this valuation method include estimated future revenues impacted by the trade names/trademarks, royalty rates, and appropriate discount rates. Projections are based on management's best estimates given recent financial performance, market trends, strategic plans, brand awareness, operating characteristics by park, and other available information. See Note 9—Goodwill, Trade Names/Trademarks and Other Intangible Assets, Net, for further details.

During the year ended December 31, 2020, due to the temporary park closures effective March 16, 2020 and the limited park reopenings resulting from the COVID-19 pandemic discussed previously, the Company identified triggering events and qualitatively evaluated its goodwill and other indefinite-lived intangible assets for further impairment analysis. These qualitative evaluations included certain judgements and assumptions related to the impact of the temporary park closures, the extent and duration of capacity limitations, the expected attendance levels and number of operating days/hours and the significant excess of historical fair values over carrying values and determined that, no further impairment analysis was warranted. As such, the Company did not record an impairment of goodwill and other indefinite-lived intangible assets during the year ended December 31, 2020.

If the Company's assumptions, including those around the impact of the COVID-19 pandemic and its projections of future cash flows and financial performance, as well as the economic outlook are not achieved, the Company may be required to record impairment charges in future periods, whether in connection with the Company's next annual impairment testing, or on an interim basis, if any such change constitutes a triggering event outside of the quarter when the Company regularly performs its annual impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

### **Impairment of Long-Lived Assets**

All long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. An impairment loss may be recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The measurement of the impairment loss to be recognized is based upon the difference between the estimated fair value and the carrying amounts of the assets. As discussed above, during the year ended December 31, 2020, due to the impact from the COVID-19 pandemic, the Company identified triggering events and qualitatively evaluated certain long-lived assets, including its right of use assets, for further impairment analysis. Using similar assumptions as discussed above, the Company determined that, based on the significant excess estimated undiscounted cash flows over carrying values, there was no impairment of other long-lived assets.

Fair value is generally determined based upon a discounted cash flow analysis. In order to determine if an asset has been impaired, assets are grouped and tested at the lowest level for which identifiable independent cash flows are available (generally a theme park). See further discussion in Note 8—Property and Equipment, Net.

## Self-Insurance Reserves

Reserves are recorded for the estimated amounts of guest and employee claims and expenses incurred each period that are not covered by insurance. Reserves are established for both identified claims and incurred but not reported (“IBNR”) claims. Such amounts are accrued for when claim amounts become probable and estimable. Reserves for identified claims are based upon the Company’s historical claims experience and third-party estimates of settlement costs. Reserves for IBNR claims are based upon the Company’s claims data history, actuarially determined loss development factors and qualitative considerations such as claims management activities. The Company maintains self-insurance reserves for healthcare, auto, general liability and workers’ compensation claims. Total claims reserves were \$31.1 million at December 31, 2020, of which \$1.8 million is recorded in accrued salaries, wages and benefits, \$7.5 million is recorded in other accrued liabilities and the remaining long-term portion is recorded in other liabilities in the accompanying consolidated balance sheets. Total claims reserves were \$31.7 million at December 31, 2019, of which \$2.8 million is recorded in accrued salaries, wages and benefits, \$7.5 million is recorded in other accrued liabilities and the remaining long-term portion is recorded in other liabilities in the accompanying consolidated balance sheets. All reserves are periodically reviewed for changes in facts and circumstances and adjustments are made as necessary.

## Debt Issuance Costs

Debt issuance costs 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 consolidated balance sheets. See further discussion in Note 11—Long-Term Debt.

## Share Repurchase Program and Treasury Stock

From time to time, the Company’s Board of Directors (the “Board”) may authorize share repurchases of common stock. Shares repurchased under Board authorizations are held in treasury for general corporate purposes. The Company accounts for treasury stock on the trade date under the cost method. Treasury stock at December 31, 2020 and 2019 is recorded as a reduction to stockholders’ (deficit) equity as the Company does not currently intend to retire the treasury stock held. See further discussion of the Company’s share repurchase program in Note 20—Stockholders’ (Deficit) Equity.

## Revenue Recognition

The Company records revenue in accordance with Accounting Standards Codification (“ASC”), Topic 606, *Revenue from Contracts with Customers*, which 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. Revenue is recorded 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. 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 ASC 606 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. Due to the temporary park closures, capacity limitations and product extensions in 2020, the Company evaluated the estimates and assumptions used in its future estimated redemption rates for these products based on forecasted and actual attendance patterns. Attendance trends factor in seasonality and are adjusted based on actual trends periodically, including to reflect recent trends. Revenue is recognized on a pro-rata basis based on the estimated allocated selling price of the admission product. For active pass products purchased under monthly installment arrangements that have extended beyond their initial commitment term and have transitioned to a month to month basis, revenue is recognized monthly as payments are received, with the exception of payments received during the temporary park closures (see further discussion which follows). 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.

As a result of the temporary park closures due to the COVID-19 pandemic, the Company upgraded some of its pass products and extended pass expiration dates for at least the equivalent period the related parks were closed. As a result, the Company adjusted its estimated redemption and recognition patterns related to its admission products to reflect the fact that there was no attendance during the park closures and accordingly the Company did not recognize revenue from these admission products while the parks were closed.

For passes under installment plans that have transitioned to a month to month basis, payments received during the closure period are recorded as deferred revenue and are recognized as revenue once the respective park reopens, which may not necessarily reflect attendance patterns for these guests. Accordingly, for these passes, the Company temporarily paused monthly charges when the related parks reopened for the equivalent period the respective parks were closed. The Company has estimated future redemption and recognition patterns for admission pass products, which impacts the timing of when revenue is recognized on these products. Actual results could materially differ from these estimates depending on the ultimate extent of the effects of the COVID-19 pandemic.

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(s) and an external park, zoo or other attraction. The agreements with the external partners specify the allocation of revenue to Company parks 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 the Company's parks and recognized over its related use in a manner consistent with the Company's other 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 of the goods or services provided or received, whichever is more readily determinable. For the years ended December 31, 2020, 2019 and 2018, amounts included within admissions revenue with an offset to either selling, general and administrative expenses or operating expenses in the accompanying consolidated statements of comprehensive (loss) income related to bartered ticket transactions were \$4.7 million, \$16.2 million and \$16.6 million, respectively.

#### *Food, Merchandise and Other Revenue*

Food, merchandise and other revenue primarily consists of culinary, merchandise, parking and other in-park products 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 in Note 4—Revenues. The Company recognizes revenue for food, merchandise and other in-park products 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.

See further discussion in Note 4—Revenues.

#### **Advertising and Promotional Costs**

Advertising production costs are deferred and expensed the first time the advertisement is shown. Other advertising and media costs are expensed as incurred and for the years ended December 31, 2020, 2019 and 2018, totaled approximately \$48.1 million, \$138.3 million and \$127.5 million, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income.

#### **Equity-Based Compensation**

In accordance with ASC 718, *Compensation-Stock Compensation*, the Company measures the cost of employee services rendered in exchange for equity-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 equity compensation expense for its performance-vesting restricted awards ratably over the related performance period if the performance condition is probable of being achieved. If the probability of vesting related to these awards changes in a subsequent period, all equity compensation expense related to those awards that would have been recorded over the requisite service period had the awards been considered probable at the new percentage from inception, is recorded as a cumulative catch-up at such subsequent date. The Company recognizes the impact of forfeitures as they occur. The Company grants time-vesting restricted shares and units, time-vesting deferred stock units, performance-vesting restricted shares and units, and stock options. The Company uses the closing stock price on the date of grant to value its time-vesting and performance-vesting restricted share awards. The Company uses the Black-Scholes Option Pricing Model to value stock options at the date of grant.

On occasion, the Company may modify the terms or conditions of an equity award for its employees. If an award is modified, the Company evaluates the type of modification in accordance with ASC 718 to determine the appropriate accounting. See further discussion in Note 19—Equity-Based Compensation.

## Restructuring Costs

The Company accounts for exit or disposal of activities in accordance with ASC 420, *Exit or Disposal Cost Obligations* if the one-time benefit arrangements are not part of an ongoing benefit arrangement or an individual deferred compensation contract. Nonretirement post-employment benefits that are part of an ongoing benefit arrangement or an individual deferred compensation contract are accounted for in accordance with ASC 712, *Compensation-Nonretirement Postemployment Benefits*. The Company defines a business restructuring as an exit or disposal activity that includes but is not limited to a program which is planned and controlled by management and materially changes either the scope of a business or the manner in which that business is conducted. Business restructuring charges may include (i) one-time termination benefits related to employee separations, (ii) contract termination costs and (iii) other related costs associated with exit or disposal activities.

If the one-time benefit arrangements are not part of an ongoing benefit arrangement or an individual deferred compensation contract, a liability is recognized and measured at its fair value for one-time termination benefits once the plan of termination is communicated to affected employees and it meets all of the following criteria: (i) management commits to a plan of termination, (ii) the plan identifies the number of employees to be terminated and their job classifications or functions, locations and the expected completion date, (iii) the plan establishes the terms of the benefit arrangement and (iv) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. If the one-time benefit arrangements are part of an ongoing benefit arrangement or an individual deferred compensation contract, a liability is recognized and measured at its fair value for one-time termination benefits when the following conditions are met: (i) the obligation is attributable to services already rendered; (ii) rights to those benefits accumulate; (iii) payment of the benefits is probable; and (iv) amount can be reasonably estimated. If these four conditions are not met, a liability is recognized when it is probable that a liability has been incurred and the amount can be reasonably estimated in accordance with ASC 450, *Contingencies*.

Contract termination costs include costs to terminate a contract or costs that will continue to be incurred under the contract without benefit to the Company. A liability is recognized and measured at its fair value when the Company either terminates the contract or ceases using the rights conveyed by the contract.

See further discussion in Note 21—Severance and Other Separation Costs.

## Leases

The Company leases land, warehouse and office space, and equipment, which are classified as either operating or finance leases. Under the provisions of ASC 842, lease liabilities and right of use assets are recognized at the lease commencement date on the basis of the present value of the future lease payments, with the right of use being adjusted by any prepaid or accrued rent, lease incentives, and initial direct costs. The lease term for each lease includes the noncancelable period plus any periods subject to an option for renewal when it is reasonably certain that the Company will exercise that option. The subsequent measurement of a lease is dependent on whether the lease is classified as an operating or finance lease. Operating leases have a straight-line expense pattern that is recognized as either operating expenses or selling, general, and administrative expenses in the consolidated statements of comprehensive (loss) income. Finance leases have a front-loaded expense recognition pattern that is comprised of amortization expense and interest expense that is included in depreciation and amortization and interest expense in the consolidated statements of comprehensive (loss) income. The Company initially evaluates the classification of its leases as of the lease commencement date and reevaluates the classification of its leases upon the occurrence of certain lease remeasurement events and when there is a lease modification that is not accounted for as a separate contract.

The present value of future lease payments is calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which reflects the rate of interest it would pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. As most of the Company's leases do not provide an implicit rate, the Company uses incremental borrowing rates based on the information available at the lease commencement date, liability remeasurement date, or lease modification date in determining the present value of the lease payments. In calculating the incremental borrowing rates, the Company considered recent ratings from credit agencies, recent trading prices on the Company's debt, and current lease demographic information. The Company applies the incremental borrowing rates at a portfolio level based on lease terms.

The Company has elected the short-term lease recognition exemption by which it is not required to recognize on the balance sheet leases with an initial lease term of 12 months or less, with the lease expense for these short-term leases recognized on a straight-line basis over the lease term. For lease agreements entered into or reassessed upon adoption of ASC 842, the Company has elected the available practical expedient to not separate the non-lease components from the related lease component, accounting for the combined components as a single lease component. The short-term lease recognition exemption and the practical expedient to not separate the lease and non-lease components was elected for each class of underlying asset as permitted under ASC 842.

Some of the Company's leases include one or more options to renew, with renewal terms that can extend the lease term from one to ten years or more. The exercise of lease renewal options is at the Company's sole discretion and the inclusion of the renewal options in the lease term would only occur when the Company concludes it is reasonably certain of exercising the option(s). Certain leases also include options to purchase the leased property.

Certain of the Company's lease agreements include rental payments based on a percentage of sales over contractual levels and others include rental payments adjusted periodically for inflation. These variable lease payments are typically recognized when the underlying event occurs and are included in operating expenses in the Company's consolidated statements of comprehensive (loss) income in the same line item as the expense arising from fixed lease payments. The Company's lease agreements do not contain any material residual value guarantees, material restrictive covenants or material variable lease costs other than those described in Note 14—Leases related to the Company's land lease.

All long-lived assets, including right of use assets associated with leases, are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. The measurement of an impairment loss to be recognized is based upon the difference between the estimated fair value and the carrying amounts of the assets. Fair value is generally determined based upon a discounted cash flow analysis.

See further discussion in Note 14—Leases.

## **Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is established for deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization is dependent on generating sufficient future taxable income or the reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. The Company evaluates its tax positions by determining if it is more likely than not a tax position is sustainable upon examination, based upon the technical merits of the position, before any of the benefit is recorded for financial statement purposes. The benefit is measured as the largest dollar amount of the position that is more likely than not to be sustained upon settlement. Previously recorded benefits that no longer meet the more likely than not threshold are charged to earnings in the period that the determination is made. Interest and penalties accrued related to unrecognized tax benefits are charged to the (benefit from) provision for income taxes in the accompanying consolidated statements of comprehensive (loss) income. See further discussion in Note 13—Income Taxes.

## **Contingencies**

The Company accounts for contingencies in accordance with ASC 450, *Contingencies*. For loss contingencies, such as potential legal settlements, the Company records an estimated loss when payment is considered probable and the amount of loss is reasonably estimable. In assessing loss contingencies related to legal proceedings that are pending against the Company, the Company evaluates the perceived merits of the legal proceedings as well as the perceived merits of the amount of relief sought or expected to be sought therein. If a loss is considered probable but the best estimate of the loss can only be identified within a range and no specific amount within that range is more likely, then the minimum of the range is accrued. Legal and related professional services costs to defend litigation are expensed as incurred. Insurance recoveries related to potential claims are recognized up to the amount of the recorded liability when coverage is confirmed and the estimated recoveries are probable of payment. These recoveries are not netted against the related liabilities for financial statement presentation. Additionally, for any potential gain contingencies, the Company does not recognize the gain until the period that all contingencies have been resolved and the amounts are realizable. See further discussion in Note 15—Commitments and Contingencies.

## **Fair Value Measurements**

Fair value is a market-based measurement, not an entity-specific measurement and is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. An entity is permitted to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company has not elected to use the fair value option for any of its financial assets and financial liabilities that are not already recorded at fair value. Carrying values of financial instruments classified as current assets and current liabilities approximate fair value, due to their short-term nature.

*Fair Value Hierarchy*—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. Fair value is determined for assets and liabilities, based upon significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair value hierarchy:

*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 and include situations where there is little, if any, market activity for the asset or liability.

*Determination of Fair Value*—If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest and currency rates. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable. See further discussion in Note 16—Fair Value Measurements.

## 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, or equivalent role, as a basis for allocating resources and assessing performance. 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.

## Derivative Instruments and Hedging Activities

ASC 815, *Derivatives and Hedging*, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments, (ii) how the entity accounts for derivative instruments and related hedged items, and (iii) how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of, and gains and losses on, derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value as either assets or liabilities. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. For derivatives designated and that qualify as cash flow hedges of interest rate risk, the changes in fair value of the derivative contract are recorded in accumulated other comprehensive income (loss), net of taxes, and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. See further discussion in Note 12—Derivative Instruments and Hedging Activities.

## 3. 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

During the year ended December 31, 2020, the Company adopted the following Accounting Standards Updates (“ASUs”) which had no material impact on its consolidated financial statements or disclosures:

- FASB Staff Q&A: On April 10, 2020, the FASB staff issued *FASB Staff Q&A-Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic* which stated that entities may elect to account for lease concessions related to the effects of the COVID-19 pandemic as though the rights and obligations for those concessions existed as of the commencement of the contract rather than as a lease modification. Lessees may make the election for any lessor-provided lease concession related to the impact of the COVID-19 pandemic as long as the concession does not result in a substantial increase in the rights of the lessor or in the obligations of the lessee. The Company has made such election. The Company has received immaterial rent concessions and has not entered into any lease modifications for the year ended

December 31, 2020. As such, this election did not have a material impact on the Company's consolidated financial statements nor the related disclosures.

- ASU 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*, This ASU requires the immediate recognition of estimated credit losses expected to occur over the life of financial assets rather than the current incurred loss impairment model that recognizes losses when a probability threshold is met. ASU 2016-13 is effective for annual periods beginning after December 15, 2019 and interim periods within those fiscal years. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements or disclosures.

## Recently Issued Accounting Standards

The Company is currently evaluating the impact of the following recently issued ASUs:

- ASU 2020-04, *Reference Rate Reform (Topic 848)*, provides optional transition guidance to ease the potential accounting burden associated with transitioning away from the London Interbank Offered Rate ("LIBOR"), with optional expedients related to the application of GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The provisions of this ASU are effective upon issuance and can be applied prospectively through December 31, 2022. Companies can apply this ASU immediately, but application is through December 31, 2020. The Company is evaluating the impact of LIBOR on its existing contracts but does not expect that this ASU will have a material impact on its consolidated financial statements or related disclosures.
- ASU 2019-12, *Simplifying the Accounting for Income Taxes*, simplifies various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for the Company beginning January 1, 2021. Early adoption requires adoption of all amendments in the same period. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company is currently evaluating ASU 2019-12 but does not expect that this ASU will have a material impact on its consolidated financial statements or related disclosures.

## 4. REVENUES

Deferred revenue primarily includes revenue associated with pass products, admission or in-park products or services with a future intended use date and contract liability balances related to licensing and international agreements collected in advance of the Company satisfying its performance obligations and is expected to be recognized in future periods. At December 31, 2020 and 2019, \$13.4 million and \$10.0 million, respectively, is included in other liabilities in the accompanying consolidated balance sheets related to the long-term portion of deferred revenue, which primarily relates to the Company's international agreement, as discussed in the following section. The Company expects to recognize this revenue 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 Company's deferred revenue balance as of December 31, 2020 and 2019:

	2020	2019
	<i>(In thousands)</i>	
Deferred revenue, including long-term portion.....	\$ 144,187	\$ 114,416
Less: Deferred revenue, long-term portion, included in other liabilities.....	13,428	10,000
Deferred revenue, short-term portion .....	<u>\$ 130,759</u>	<u>\$ 104,416</u>

The majority of the deferred revenue, short term portion, balance outstanding as of January 1, 2020 was recognized as revenue during the year ended December 31, 2020, with approximately 5% remaining as deferred revenue as of December 31, 2020 due to product extensions. The increase in deferred revenue as of December 31, 2020 compared to December 31, 2019 primarily relates to extensions provided on some of the Company's admission products due to the COVID-19 temporary park closures.

### *International Agreements*

The Company has received \$10.0 million in deferred revenue recorded in other liabilities related to a nonrefundable payment received from a partner in connection with a 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. The Company expects to receive additional funds from its partner related to agreed upon services and reimbursements of costs incurred by the Company on behalf of the Middle East Project. Approximately \$5.9 million and \$5.0 million of costs incurred related to the Middle East Project are recorded in other assets in the accompanying consolidated balance sheet as of December 31, 2020 and 2019, respectively. 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, which is expected to be upon opening of the park. The Company continually monitors performance on the contract and will make adjustments, if necessary.

Construction for the Middle East Project is on track and scheduled to be completed by the end of 2022. There is no assurance that the Middle East Project will be completed or open to the public.

In March 2017, the Company entered into a Park Exclusivity and Concept Design Agreement and a Center Concept and Preliminary Design Support Agreement (collectively, the “ZHG Agreements”) with an affiliate of Zhonghong Zhuoye Group Co., Ltd. (“ZHG Group”), to provide design, support and advisory services for various potential projects and grant exclusive rights in China, Taiwan, Hong Kong and Macau. In April 2019, the Company terminated the ZHG Agreements for non-payment of undisputed amounts owed. For the years ended December 31, 2019 and 2018, the Company recorded revenue related to the ZHG Agreements of approximately \$1.7 million and \$5.1 million, respectively, which is included in food, merchandise and other revenue in the accompanying consolidated statements of comprehensive (loss) income. There were no amounts recorded as revenue related to the ZHG Agreements in the year ended December 31, 2020 See Note 17–Related-Party Transactions for further details.

## 5. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share is computed as follows:

	Year Ended December 31,								
	2020			2019			2018		
	Net Loss	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
<i>(In thousands, except per share amounts)</i>									
Basic (loss) earnings per share .....	\$(312,321)	78,194	\$ (3.99)	\$89,476	80,309	\$ 1.11	\$44,788	86,170	\$ 0.52
Effect of dilutive incentive-based awards .....		—			735			740	
Diluted (loss) earnings per share .....	<u>\$(312,321)</u>	<u>78,194</u>	<u>\$ (3.99)</u>	<u>\$89,476</u>	<u>81,044</u>	<u>\$ 1.10</u>	<u>\$44,788</u>	<u>86,910</u>	<u>\$ 0.52</u>

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

Diluted (loss) earnings per share is determined using the treasury stock method based on the dilutive effect of certain unvested restricted stock awards and certain shares of common stock that are issuable upon exercise of stock options. During the year ended December 31, 2020, there were approximately 2,253,000 potentially dilutive shares of common stock excluded from the computation of diluted loss per share as their effect would have been anti-dilutive due to the Company’s net loss in the period. During the years ended December 31, 2019 and 2018, there were approximately 305,000 and 1,299,000 anti-dilutive shares of common stock excluded from the computation of diluted earnings per share, respectively.

The Company’s outstanding performance-vesting restricted stock awards are considered contingently issuable shares and are excluded from the calculation of diluted earnings per share until the performance measure criteria is met as of the end of the reporting period. For the years ended December 31, 2019 and 2018, approximately 247,000 and 364,000 performance-vesting restricted stock awards had met their performance criteria for their respective performance years as of the end of the reporting periods, respectively, and are therefore included in the calculation of diluted earnings per share. See further discussion in Note 19–Equity-Based Compensation.

## 6. INVENTORIES

Inventories as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
	<i>(In thousands)</i>	
Merchandise .....	\$ 26,044	\$ 28,515
Food and beverage .....	4,027	4,430
Other supplies .....	629	218
Total inventories .....	<u>\$ 30,700</u>	<u>\$ 33,163</u>

## 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
	<i>(In thousands)</i>	
Prepaid insurance .....	\$ 2,757	\$ 2,397
Prepaid marketing and advertising costs .....	1,175	2,264
Insurance recoveries .....	—	32,911
Other .....	8,486	8,740
Total prepaid expenses and other current assets .....	<u>\$ 12,418</u>	<u>\$ 46,312</u>

As of December 31, 2019, insurance recoveries above related to insurance proceeds expected to be received from the Company's insurance carriers related to a legal settlement. The Company's insurance carriers paid the insurance proceeds during the first quarter of 2020. See further details in Note 10—Other Accrued Liabilities and Note 15—Commitments and Contingencies.

## 8. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net as of December 31, 2020 and 2019, consisted of the following:

	2020	2019
	<i>(In thousands)</i>	
Land .....	\$ 286,200	\$ 286,200
Land improvements .....	405,652	403,409
Buildings .....	737,231	733,258
Rides, attractions and equipment .....	1,547,786	1,527,301
Animals .....	142,307	142,232
Construction in progress .....	153,529	117,121
Less accumulated depreciation .....	<u>(1,611,745)</u>	<u>(1,476,059)</u>
Total property and equipment, net .....	<u>\$ 1,660,960</u>	<u>\$ 1,733,462</u>

Depreciation expense was approximately \$148.0 million, \$156.2 million, and \$155.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

For the years ended December 31, 2020 and 2019, the Company recorded approximately \$6.7 million and \$2.7 million, respectively, in fixed asset write-offs, which is included in operating expenses in the accompanying consolidated statement of comprehensive (loss) income. For the year ended December 31, 2018, the Company recorded approximately \$10.9 million in fixed asset disposals associated with certain rides and equipment which were removed from service during 2018, which is included in operating expenses in the accompanying consolidated statement of comprehensive (loss) income.

See Note 1—Description of the Business, *Impact of Global COVID-19 Pandemic*, for further details regarding proactive measures the Company has taken starting in March 2020 relating to its capital expenditures including delaying the opening of certain new rides.

## 9. GOODWILL AND TRADE NAMES/TRADEMARKS, NET

### Goodwill, Net

Goodwill, net, at December 31, 2020 and 2019 relates to the Company's Discovery Cove reporting unit. The Company performed an annual qualitative assessment at December 1, 2020 and 2019 and concluded that further evaluation was unnecessary.

### Trade Names/Trademarks, Net

At December 1, 2020, the Company performed a quantitative assessment over certain trade names/trademarks with a combined balance of \$111.9 million related to its SeaWorld brand. Based on its assessment, the Company determined the estimated fair value exceeded its carrying value and therefore no impairment had occurred. The Company performed a qualitative assessment for its remaining other indefinite-lived intangible assets at December 1, 2020 and all of its other indefinite-lived intangible assets at December 1, 2019 and concluded that further evaluation was unnecessary.

Trade names/trademarks, net, at December 31, 2020 and 2019, consisted of the following:

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization <i>(In thousands)</i>	Net Carrying Value
Trade names/trademarks - indefinite lives .....		\$ 157,000	\$ —	\$ 157,000
Trade names/trademarks - finite lives .....	9.3 years	12,900	12,900	—
Total trade names/trademarks, net .....		<u>\$ 169,900</u>	<u>\$ 12,900</u>	<u>\$ 157,000</u>

## 10. OTHER ACCRUED LIABILITIES

Other accrued liabilities as of December 31, 2020 and 2019, consisted of the following:

	2020	2019
	<i>(In thousands)</i>	
Accrued interest .....	\$ 23,422	\$ 573
Accrued taxes.....	10,518	2,718
Self-insurance reserve.....	7,540	7,488
Accrued legal settlements .....	—	65,000
Other .....	9,470	6,062
Total other accrued liabilities .....	<u>\$ 50,950</u>	<u>\$ 81,841</u>

As of December 31, 2020, accrued interest above primarily relates to interest associated with the Company's second-priority senior secured notes issued in August 2020, for which interest is paid bi-annually in February and August and the first-priority senior secured notes issued in April 2020, for which interest is paid bi-annually in November and May. See further discussion in Note 11—Long-Term Debt.

As of December 31, 2019, accrued legal settlements above is related to a previously disclosed legal settlement which was paid, net of insurance proceeds, during the year ended December 31, 2020. As of December 31, 2019, the Company had recorded a receivable of \$32.9 million in prepaid expenses and other current assets for insurance proceeds from its insurance carriers related to this case. See further details in Note 7—Prepaid Expenses and Other Current Assets and Note 15—Commitments and Contingencies.

## 11. LONG-TERM DEBT

Long-term debt, net, as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
	<i>(In thousands)</i>	
Term B-5 Loans (effective interest rate of 3.75% and 4.80% at December 31, 2020 and 2019, respectively) .....	\$ 1,492,378	\$ 1,507,883
Revolving credit facility (effective interest rate of 4.35% at December 31, 2019) .....	—	50,000
Second-Priority Senior Notes (interest rate of 9.50%).....	500,000	—
Senior Notes (interest rate of 8.75%) .....	227,500	—
Total long-term debt.....	2,219,878	1,557,883
Less: discounts and debt issuance costs .....	(27,236)	(9,759)
Less: current maturities, including revolving credit facility at December 31, 2019 .....	(15,505)	(65,505)
Total long-term debt, net.....	<u>\$ 2,177,137</u>	<u>\$ 1,482,619</u>

### *Senior Secured Credit Facilities*

SEA is the borrower under the senior secured credit facilities, as amended pursuant to a credit agreement (the “Amended 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 10, 2020, SEA entered into an amendment, Amendment No. 10 (the “Amendment No. 10”) to its Amended Credit Agreement. Pursuant to Amendment No. 10, SEA increased the revolving credit commitments available under the Amended Credit Agreement from \$210.0 million to an aggregate of \$332.5 million. On April 19, 2020 and on July 29, 2020, respectively, SEA entered into Amendment No. 11, (the “Amendment No. 11”) and Amendment No. 12, (the “Amendment No. 12”) to its Amended Credit Agreement to amend certain provisions therein.

On October 31, 2018, SEA entered into a refinancing amendment, Amendment No. 9 (the “Amendment No. 9”), to its Amended Credit Agreement. In connection with Amendment No. 9, SEA borrowed \$543.9 million 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-2 loans, and pay other fees, costs and expenses in connection with Amendment No. 9 and related transactions. Additionally, pursuant to Amendment No. 9, SEA terminated the then existing revolving credit commitments and replaced them with a new tranche of revolving credit commitments with an aggregate commitment amount of \$210.0 million (the “Revolving Credit Facility”).

As of December 31, 2020, the Senior Secured Credit Facilities consisted of \$1.492 billion in Term B-5 Loans which will mature on March 31, 2024 and a \$332.5 million revolving credit facility (the “Revolving Credit Facility”), which was not drawn upon as of December 31, 2020. The Revolving Credit Facility will mature on October 31, 2023. The outstanding balance on the Revolving Credit Facility as of December 31, 2019 was included in current maturities of long-term debt in the accompanying consolidated balance sheets due to the Company’s intent to repay the borrowings within the following twelve month period.

The Term B-5 Loans amortize in equal quarterly installments in aggregate annual amounts equal to 1.015% of the original principal amount of the Term B-5 Loans outstanding on October 31, 2018, with the balance payable on the final maturity date. 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 also required to prepay the outstanding Term B-5 Loans, subject to certain exceptions, under certain circumstances, as defined in the Senior Secured Credit Facilities. There were no mandatory prepayments made during the years ended December 31, 2020, 2019 and 2018.

The obligations under the Senior Secured Credit Facilities are fully, unconditionally and irrevocably guaranteed by the Company, any subsidiary of the Company that directly or indirectly owns 100% of the issued and outstanding equity interests of SEA, and, subject to certain exceptions, each of SEA’s existing and future material domestic wholly-owned subsidiaries. The Senior Secured Credit Facilities are collateralized by first priority or equivalent security interests, subject to certain exceptions, in (i) all the capital stock of, or other equity interests in, substantially all of SEA’s direct or indirect material domestic subsidiaries and 65% of the capital stock of, or other equity interests in, any “first tier” foreign subsidiaries and (ii) certain tangible and intangible assets of SEA and the Company. Certain financial, affirmative and negative covenants are included in the Senior Secured Credit Facilities. If an event of default occurs, the lenders under the Senior Secured Credit Facilities will be entitled to take various actions, including the acceleration of amounts due under the Senior Secured Credit Facilities and all actions permitted to be taken by a secured creditor.

### *Term B-5 Loans*

Borrowings of the Term B-5 Loans under the Amended Credit Agreement bear interest at a fluctuating rate per annum equal to, at SEA’s option, (i) a base rate equal to the higher of (a) the federal funds rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by JPMorgan Chase Bank, N.A. as its “prime rate” (provided that in no event shall such base rate with respect to the Term B-5 Loans be less than 1.75% per annum), in each case, plus an applicable margin of 2.00% or (ii) a

LIBOR rate based on the British Bankers Association LIBOR Rate (or any successor thereto) for the applicable interest period (provided that in no event shall such LIBOR rate with respect to the Term B-5 Loans be less than 0.75% per annum) plus an applicable margin of 3.00%.

### ***Revolving Credit Facility***

Borrowings of the Revolving Credit Facility under the Amended Credit Agreement bear interest at a fluctuating rate per annum equal to, at SEA's option, (i) a base rate equal to the higher of (a) the federal funds rate plus  $\frac{1}{2}$  of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by JPMorgan Chase Bank, N.A. as its "prime rate", in each case, plus an applicable margin equal to 1.75%; or (ii) a LIBOR rate based on the British Bankers Association LIBOR Rate (or any successor thereto) for the applicable interest period (provided that in no event shall such LIBOR rate with respect to the Revolving Credit Facility be less than 0.0% per annum) plus an applicable margin equal to 2.75%. The applicable margin for borrowings under the Revolving Credit Facility are subject to one 25 basis point step-down upon achievement by SEA of certain corporate credit ratings, which the Company did not achieve as of December 31, 2020.

In addition to paying interest on outstanding principal under the Senior Secured Credit Facilities, SEA is required to pay a commitment fee to the lenders under the Revolving Credit Facility in respect of the unutilized commitments thereunder at a rate of 0.50% per annum. SEA is also required to pay customary letter of credit fees.

As of December 31, 2020, SEA had approximately \$21.2 million of outstanding letters of credit, leaving approximately \$311.3 million available for borrowing under the Revolving Credit Facility.

### ***First-Priority Senior Secured Notes***

On April 30, 2020, SEA closed on a private offering of \$227.5 million aggregate principal amount of 8.750% first-priority senior secured notes due 2025 (the "Senior Notes").

The Senior Notes mature on May 1, 2025 and have interest payment dates of May 1 and November 1 with the first interest payment paid on November 2, 2020. On or after May 1, 2022, SEA may redeem the Senior Notes at its option, in whole at any time or in part from time to time, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, if redeemed during the 12-month period commencing on May 1 of the years as follows: (i) in 2022 at 104.375%; (ii) in 2023 at 102.188%; and (iii) in 2024 and thereafter at 100%. SEA may also redeem in the aggregate (at a redemption price expressed as a percentage of principal amount thereof): (i) 100% of the Senior Notes after certain events constituting a change of control at a redemption price of 101%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date and (ii) up to 40% of the original aggregate principal amount of the Senior Notes with amounts equal to the net cash proceeds of certain equity offerings at a redemption price of 108.375%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The Senior Notes are fully and unconditionally guaranteed by the Company, any subsidiary of the Company that directly or indirectly owns 100% of the issued and outstanding equity interests of SEA, and subject to certain exceptions, each of SEA's subsidiaries that guarantees SEA's existing senior secured credit facilities.

### ***Second-Priority Senior Secured Notes***

On August 5, 2020, SEA closed on a private offering of \$500.0 million aggregate principal amount of 9.500% second-priority senior secured notes due 2025 (the "Second-Priority Senior Notes"). Net of expenses related to the offering of the Second-Priority Senior Notes and Amendment No. 12, the Company used a portion of the proceeds from the issuance of the Second-Priority Senior Notes to repay the then outstanding borrowings of \$311.0 million under the Revolving Credit Facility.

The Second-Priority Senior Notes mature on August 1, 2025 and have interest payment dates of February 1 and August 1 with the first interest payment due on February 1, 2021. On or after February 1, 2022, SEA may redeem the Second-Priority Senior Notes at its option, in whole at any time or in part from time to time, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, if redeemed during the 12-month period commencing on February 1 of the years as follows: (i) in 2022 at 104.75%; (ii) in 2023 at 102.375%; and (iii) in 2024 and thereafter at 100%. SEA may also redeem in the aggregate (at a redemption price expressed as a percentage of principal amount thereof): (i) 100% of the Second-Priority Senior Notes after certain events constituting a change of control at a redemption price of 101%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date and (ii) up to 40% of the original aggregate principal amount of the Second-Priority Senior Notes with amounts equal to the net cash proceeds of certain equity offerings at a redemption price of 109.50%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time prior to February 1, 2022, SEA may, (i) during the twelve month period commencing on the issue date and (ii) during the period subsequent to such twelve month period and prior to February 1, 2022, redeem in each period up to 10.0% of the initial aggregate principal amount of the Second-Priority Senior Notes at a redemption price equal to 103% of the aggregate principal amount of the Second-Priority Senior Notes to be redeemed plus accrued and unpaid interest, if any, to but excluding the redemption date; provided, that if SEA does not redeem 10.0% of the initial aggregate principal amount of Second-Priority Senior Notes during the twelve month period commencing on the issue date, SEA may, in the subsequent period prior to February 1, 2022, redeem the Second-Priority Senior Notes in an amount that does not exceed 10.0% of the initial aggregate principal amount plus the difference between (x) 10.0% of the initial aggregate principal amount and (y) the aggregate principal amount of Second-Priority Senior Notes that were redeemed in such twelve month period.

The Second-Priority Senior Notes are fully and unconditionally guaranteed by the Company, any subsidiary of the Company that directly or indirectly owns 100% of the issued and outstanding equity interests of SEA, and subject to certain exceptions, each of SEA's subsidiaries that guarantees SEA's existing senior secured credit facilities.

#### ***Discounts and Debt Issuance Costs***

In connection with the issuance of the Senior Notes and Second-Priority Senior Notes, and as a result of Amendment No. 10, Amendment No. 11 and Amendment No. 12, SEA recorded discounts and fees of approximately \$21.9 million, of which approximately \$13.8 million were paid directly to lenders, during the year ended December 31, 2020. In connection with the issuance of the Term B-5 Loans and as a result of the Amendment No. 9, SEA recorded a discount of \$0.7 million during the year ended December 31, 2018. Additionally, SEA wrote-off debt issuance costs of \$8.2 million, which is included in loss on early extinguishment of debt and write-off of discounts and debt issuances costs in the accompanying consolidated statement of comprehensive (loss) income during the year ended December 31, 2018.

#### ***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. All of the net assets of SEA and its consolidated subsidiaries are restricted and there are no unconsolidated subsidiaries of SEA.

The Revolving Credit Facility requires that the Company comply with a springing maximum first lien secured leverage ratio of 6.25x to be tested as of the last day of any fiscal quarter, solely to the extent that on such date the aggregate amount of funded loans and letters of credit (excluding undrawn letters of credit in an amount not to exceed \$30.0 million and cash collateralized letters of credit) under the Revolving Credit Facility exceeds an amount equal to 35% of the then outstanding commitments under the Revolving Credit Facility. Pursuant to Amendment No. 12, among other terms, SEA will be exempt from complying with its first lien secured leverage ratio covenant through the end of 2021, after which SEA will be required to comply with such covenant starting in the first quarter of 2022. For purposes of calculating compliance with such covenant, unless a Triggering Event occurs (as defined in Amendment No. 12), beginning with the first quarter of 2022, to the extent trailing Adjusted EBITDA (as defined in Amendment No. 12) for the second, third or fourth quarters of 2021 would have otherwise been included in the calculation of such covenant, in lieu of using actual Adjusted EBITDA for such periods, Adjusted EBITDA for such applicable periods will be deemed to be actual Adjusted EBITDA (as defined in Amendment No. 12) for the corresponding quarter of 2019. In addition, SEA will be required to comply with a quarterly minimum liquidity test (defined as unrestricted cash and cash equivalents and available commitments under the Revolving Credit Facility) of not less than \$75.0 million until the earlier of September 30, 2022 or the date on which the Company elects to use the actual Adjusted EBITDA for purposes of calculating its financial maintenance covenant. SEA will also be restricted from paying certain dividends or making other restricted payments through the third quarter of 2022 unless certain conditions are met.

As of December 31, 2020, SEA was in compliance with all covenants contained in the documents governing the Senior Secured Credit Facilities.

Long-term debt at December 31, 2020, is repayable as follows and does not include the impact of any future voluntary prepayments:

<b>Years Ending December 31,</b>	<b>(In thousands)</b>
2021 .....	\$ 15,505
2022 .....	15,505
2023 .....	15,505
2024 .....	1,445,863
2025 .....	727,500
<b>Total .....</b>	<b>\$ 2,219,878</b>



### **Interest Rate Swap Agreements**

The Company previously had five interest rate swap agreements (the “Interest Rate Swap Agreements”) which effectively fixed the interest rate on the LIBOR-indexed interest payments associated with \$1.0 billion of SEA’s outstanding long-term debt. The Interest Rate Swap Agreements expired on May 14, 2020.

SEA designated the Interest Rate Swap Agreements above as qualifying cash flow hedge accounting relationships as further discussed in Note 12—Derivative Instruments and Hedging Activities which follows.

Cash paid for interest relating to the Senior Secured Credit Facilities, Senior Notes and Interest Rate Swap Agreements, net of amounts capitalized, as applicable, was \$73.7 million, \$80.5 million and \$82.5 million during the years ended December 31, 2020, 2019 and 2018, respectively. See Note 10—Other Accrued Liabilities for accrued interest included in the accompanying consolidated balance sheets as of December 31, 2020 and 2019.

## **12. 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 at times through the use of derivative financial instruments. Specifically, the Company has previously entered 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.

In May 2020, the Company’s Interest Rate Swap Agreements expired, as such, the Company did not have any derivative instruments outstanding as of December 31, 2020. As of December 31, 2019, 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 were to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily used interest rate swaps at times as part of its interest rate risk management strategy. During the years ended December 31, 2020, 2019 and 2018, such derivatives were used to hedge a portion of the variable cash flows associated with existing variable-rate debt.

The Interest Rate Swap Agreements were designated as cash flow hedges of interest rate risk. The changes in the fair value of derivatives designated and that qualify as cash flow hedges were recorded in accumulated other comprehensive income (loss) and were subsequently reclassified into earnings in the period that the hedged forecasted transaction affected earnings. Amounts reported in accumulated other comprehensive income (loss) related to derivatives were reclassified to interest expense as interest payments were made on the Company’s variable-rate debt.

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

The Company did not have any derivative financial instruments outstanding as of December 31, 2020. The table below presents the fair value of the Company’s derivative financial instruments as well as their classification in the accompanying consolidated balance sheet as of December 31, 2019:

	Liability Derivatives	
	As of December 31, 2019	
	Balance Sheet	
	Location	Fair Value
Derivatives designated as hedging instruments:	<i>(In thousands)</i>	
Interest rate swap agreements .....	Other liabilities	2,156
Total derivatives designated as hedging instruments.....		\$ 2,156

Derivative instruments are valued according to the methodology outlined in Note 2—Summary of Significant Accounting Policies. The Company determined that its derivatives fell within Level 2 of the fair value hierarchy as discussed in Note—16 Fair Value Measurements. The unrealized gain or loss on derivatives was recorded net of tax expense of \$0.5 million and a tax benefit of \$1.4 million for the years ended December 31, 2020 and 2019, respectively, and is included in the accompanying consolidated statements of changes in stockholders' (deficit) equity and the consolidated statements of comprehensive (loss) income.

#### Tabular Disclosure of the Effect of Derivative Instruments on the Statements of Comprehensive (Loss) Income

The table below presents the pre-tax effect of the Company's derivative financial instruments in the accompanying consolidated statements of comprehensive (loss) income for the years ended December 31, 2020 and 2019:

	2020	2019
	<i>(In thousands)</i>	
Derivatives in Cash Flow Hedging Relationships:		
(Loss) gain recognized in accumulated other comprehensive loss .....	\$ (370)	\$ (5,247)
Amounts reclassified from accumulated other comprehensive income		
(loss) to interest expense .....	\$ 2,501	\$ (17)

#### Changes in Accumulated Other Comprehensive Income (Loss)

The following table reflects the changes in accumulated other comprehensive income (loss), net of tax for the years ended December 31, 2020 and 2019:

		<b>(Losses) Gains on Cash Flow Hedges</b>
<b>Accumulated other comprehensive income (loss) <i>(In thousands)</i>:</b>		
Accumulated other comprehensive income at December 31, 2018.....		2,284
Other comprehensive loss before reclassifications .....	(3,831)	
Amounts reclassified from accumulated other comprehensive income (loss) to interest expense .....	(12)	
Change in other comprehensive income (loss), net of tax .....		(3,843)
Accumulated other comprehensive loss at December 31, 2019 .....		(1,559)
Other comprehensive loss before reclassifications .....	(271)	
Amounts reclassified from accumulated other comprehensive loss to interest expense....	1,830	
Change in other comprehensive income (loss), net of tax .....		1,559
Accumulated other comprehensive income (loss) at December 31, 2020.....		<u>\$ —</u>

### 13. INCOME TAXES

For the years ended December 31, 2020, 2019 and 2018, the (benefit from) provision for income taxes is comprised of the following:

	2020	2019	2018
	<i>(In thousands)</i>		
Current income tax provision			
Federal .....	\$ (136)	\$ (77)	\$ (99)
State .....	1,020	1,580	1,113
Foreign .....	5	27	7
Total current income tax provision .....	<u>889</u>	<u>1,530</u>	<u>1,021</u>
Deferred income tax (benefit) provision:			
Federal .....	(19,718)	21,825	13,019
State .....	(11,696)	16,173	3,875
Total deferred income tax (benefit) provision.....	<u>(31,414)</u>	<u>37,998</u>	<u>16,894</u>
Total income tax (benefit) provision .....	<u>\$ (30,525)</u>	<u>\$ 39,528</u>	<u>\$ 17,915</u>

The deferred income tax (benefit) provision represents the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Cash paid for income taxes totaled \$0.5 million, \$1.4 million and \$0.8 million, for the years ended December 31, 2020, 2019 and 2018, respectively.

The components of deferred income tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Deferred income tax assets:		
	<i>(In thousands)</i>	
Acquisition and debt related costs .....	\$ 4,128	\$ 5,550
Net operating losses .....	272,943	180,693
Goodwill impairment .....	53,887	54,271
Self-insurance .....	7,410	7,308
Deferred revenue .....	5,707	2,546
Cash flow hedge .....	—	571
Restricted stock .....	2,826	4,411
Tax credits .....	10,577	10,230
Legal settlements .....	645	8,590
Lease obligations .....	29,943	32,078
Interest limitation .....	463	—
Other .....	6,061	5,200
Total deferred income tax assets .....	394,590	311,448
Valuation allowance .....	(65,617)	(5,216)
Net deferred tax assets .....	328,973	306,232
Deferred income tax liabilities:		
Property and equipment .....	(211,729)	(225,827)
Amortization - Goodwill .....	(51,435)	(46,688)
Amortization - Other intangibles .....	(26,080)	(22,979)
Right of use assets .....	(29,631)	(31,940)
Other .....	(3,023)	(2,558)
Total deferred income tax liabilities .....	(321,898)	(329,992)
Net deferred income tax assets (liabilities) .....	\$ 7,075	\$ (23,760)

The Company files federal, state and provincial income tax returns in various jurisdictions with varying statute of limitation expiration dates. Under the tax statute of limitations applicable to the Internal Revenue Code of 1986, as amended (the “Code”), the Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for years before 2016. However, because the Company is carrying forward income tax attributes, such as net operating losses and tax credits from 2009 and subsequent years, these attributes can still be audited when utilized on returns filed in the future. 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 in the applicable period.

The Company has federal tax net operating loss carryforwards of approximately \$1.0 billion as of December 31, 2020 and state net operating loss carryforwards spread across various jurisdictions with a combined total of approximately \$1.2 billion as of December 31, 2020. These net operating loss carryforwards, if not used to reduce taxable income in future periods, will begin to expire in 2029, for both federal and state tax purposes.

Realization of the deferred income tax assets, primarily arising from these net operating loss carryforwards and charitable contribution carryforwards, is dependent upon generating sufficient taxable income prior to expiration of the carryforwards, which may include the reversal of deferred tax liability components.

The Company believes it is more likely than not that some of its deferred tax assets will not be realized. Therefore, the Company has recorded a valuation allowance of approximately \$39.5 million for federal net operating loss carryforwards, approximately \$7.1 million for federal tax credits and approximately \$4.0 million for federal and state charitable contributions as of December 31, 2020. Separately, the Company has recorded a valuation allowance of approximately \$15.0 million and \$5.2 million, net of federal tax benefit, on the deferred tax assets related to state net operating loss carryforwards as of December 31, 2020 and 2019, respectively. The Company’s valuation allowances, in part, rely on estimates and assumptions related to future financial performance. Given the macroeconomic environment related to the COVID-19 pandemic and the uncertainties regarding the related impact on financial performance, the Company’s valuation allowances may need to be adjusted in the future.

The reconciliation between the statutory income tax rate and the Company's effective income tax provision (benefit) rate for the years ended December 31, 2020, 2019 and 2018, is as follows:

	2020			2019			2018	
	Amount	%		Amount	%		Amount	%
	(In thousands)							
Income tax at federal statutory rates .....	\$ (71,998)	21.00	%	\$ 27,091	21.00	%	\$ 13,167	21.00 %
State taxes, net of federal benefit.....	(15,816)	4.61		7,645	5.93		4,640	7.40
Equity-based compensation .....	(485)	0.14		(1,776)	(1.38)		668	1.07
Tax credits.....	(304)	0.09		(795)	(0.62)		(1,221)	(1.95)
Impact of state rate changes .....	(3,906)	1.14		3,770	2.92		(379)	(0.60)
Nondeductible settlement.....	—	—		—	—		840	1.34
Valuation allowance - state.....	10,450	(3.05)		2,455	1.90		—	—
Valuation allowance - federal .....	49,951	(14.57)		—	—		—	—
Other .....	1,583	(0.46)		1,138	0.89		200	0.31
Income tax (benefit) provision.....	\$ (30,525)	8.90	%	\$ 39,528	30.64	%	\$ 17,915	28.57 %

#### 14. LEASES

The Company leases land, warehouse and office space, and equipment, which are classified as either operating or finance leases. The Company's most significant lease is a long-term land lease with the City of San Diego covering approximately 190 acres, including approximately 17 acres of water in Mission Bay Park, California (the "Premises"). While there are no financial restrictions or covenants imposed by the Premises lease, there are certain operational restrictions in that the Premises must be used as a marine park facility and the Company may not operate another marine park facility within 560 miles of the City of San Diego.

The lease term for the Premises ends in June 2048 and the annual rent under the lease is variable and calculated on the basis of a specified percentage of the Company's gross income from the Premises, (the "Percentage Rent"), or the minimum yearly rent (the "Minimum Rent"), whichever is greater.

The required annual rent payments for the Premises is adjusted every three years to an amount equal to 80% of the average accounting year rent actually paid for the three previous years, with the annual minimum rent calculated as \$10.4 million through each of the years ended December 31, 2020 and 2019.

The annual rent payments may vary from the base rent due to a shift of seasonal performance results. Rent payments related to the Premises for the years ended December 31, 2020, 2019 and 2018 were approximately \$0.5 million, \$10.5 million and \$11.2 million, respectively. The Company's gross income from the Premises was significantly impacted during the year ended December 31, 2020 due to the temporary park closures, limited reopenings, modified operations and capacity restrictions resulting from the impact of the COVID-19 pandemic and related government restrictions in San Diego. As a result, the Company deferred \$1.6 million of the Percentage Rent related to the year ended December 31, 2020, and an additional \$8.3 million related to the Minimum Rent for the year ended December 31, 2020. As such, approximately \$9.9 million is included in accounts payable and accrued expenses on the accompanying consolidated balance sheet as of December 31, 2020 related to this lease. Operating lease liabilities and long-term operating lease liabilities on the accompanying consolidated balance sheet as of December 31, 2020 and the lease maturities as of December 31, 2020 are not adjusted for these deferred payments. Subsequent to December 31, 2020, the Company remitted the amounts owed for Percentage Rent of approximately \$1.6 million.

The tables below present the lease balances and their classification in the accompanying consolidated balance sheets as of December 31, 2020 and 2019:

	<b>Classification</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Assets:</b>			
		<i>(In thousands)</i>	
Operating leases .....	Right of use assets - operating	\$ 136,572	\$ 141,438
Finance leases .....	Other assets, net	3,580	3,487
Total lease assets .....		<u>\$ 140,152</u>	<u>\$ 144,925</u>
<b>Liabilities:</b>			
Current			
Operating leases .....	Operating lease liabilities	\$ 3,757	\$ 3,896
Finance leases .....	Other accrued liabilities	820	707
Noncurrent			
Operating leases .....	Long-term operating lease liabilities	120,144	124,339
Finance leases .....	Other liabilities	2,899	2,851
Total lease liabilities .....		<u>\$ 127,620</u>	<u>\$ 131,793</u>

The table below presents the lease costs and their classification in the accompanying consolidated statements of comprehensive (loss) income for the years ended December 31, 2020 and 2019:

	<b>Classification</b>	<b>2020</b>	<b>2019</b>
		<i>(In thousands)</i>	
Operating lease cost .....	Operating expenses	\$ 13,966	\$ 14,528
Operating lease cost .....	Selling, general and administrative expenses	425	445
Finance lease cost			
Amortization of leased assets .....	Depreciation and amortization	844	742
Interest on lease liabilities .....	Interest expense	176	146
Net lease cost .....		<u>\$ 15,411</u>	<u>\$ 15,861</u>

In addition to the operating lease costs above, short-term rent expense for the years ended December 31, 2020 and 2019 were approximately \$2.1 million and \$4.2 million, respectively, and variable rent expense for the years ended December 31, 2020 and 2019 were \$4.9 million and \$5.3 million, respectively. The short-term and variable rent expense amounts are included in operating expenses and selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income.

The table below presents the Company's lease maturities as of December 31, 2020:

<b>Years Ending December 31,</b>	<b>Operating leases</b>			<b>Finance leases</b>
	<b>Land lease</b>	<b>Other operating leases</b>	<b>Total operating leases</b>	
	<i>(In thousands)</i>			
2021 .....	\$ 10,401	\$ 3,154	\$ 13,555	\$ 939
2022 .....	10,401	2,117	12,518	543
2023 .....	10,401	1,704	12,105	226
2024 .....	10,401	1,559	11,960	206
2025 .....	10,401	1,311	11,712	201
Thereafter .....	234,031	1,617	235,648	2,392
Total lease payments .....	286,036	11,462	297,498	4,507
Less: Imputed interest .....	(171,894)	(1,703)	(173,597)	(788)
Lease liabilities .....	<u>\$ 114,142</u>	<u>\$ 9,759</u>	<u>\$ 123,901</u>	<u>\$ 3,719</u>

The table below presents the weighted average remaining lease terms and applicable discount rates as of December 31, 2020 and 2019:

	2020	2019
<b>Weighted average remaining lease term (years):</b>		
Operating leases .....	25.75	26.19
Finance leases .....	12.87	14.64
<b>Weighted average discount rate:</b>		
Operating leases .....	8.14%	8.12%
Finance leases .....	3.76%	3.56%

The table below presents the cash flows and supplemental information associated with the Company's leasing activities for the years ended December 31, 2020 and 2019:

	2020	2019
	<i>(In thousands)</i>	
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases .....	\$ 3,938	\$ 14,513
Operating cash flows from finance leases .....	\$ 176	\$ 146
Financing cash flows from finance leases .....	\$ 806	\$ 692
<b>Right of use assets obtained in exchange for lease liabilities:</b>		
Finance leases .....	\$ 938	\$ 1,285
Operating leases .....	\$ -	\$ 133,297

## 15. COMMITMENTS AND CONTINGENCIES

The Company has commenced construction of certain new theme park attractions and other projects under contracts with various third parties. At December 31, 2020, excluding certain amounts related to the License Agreement with Sesame Workshop as described below, additional capital payments of approximately \$72.0 million are necessary to complete these projects. The majority of these projects are expected to be completed in 2021 or 2022.

### License Agreements

Pursuant to a license agreement ("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. The Company's principal commitments pursuant to the License Agreement include, among other items, the opening of a second stand-alone park ("Standalone Park") no later than mid-2021 and minimum annual capital and marketing thresholds. After the opening of the second Standalone Park (counting the existing Sesame Place Standalone Park in Langhorne, Pennsylvania), the Company will have the option to build additional Standalone Parks in the defined 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. As of December 31, 2020, the Company estimates the combined remaining obligations for the License Agreement commitments could be up to approximately \$45.0 million over the remaining term of the agreement. In October 2019, the Company announced that it will convert Aquatica San Diego into its second Sesame Place Standalone Park in the spring of 2021. While construction began in the fall of 2019, it was temporarily paused due to the COVID-19 pandemic. The Company currently expects to open this park in 2022. As a result, depending on governmental restrictions in the state of California, the Company expects to reopen its Aquatica San Diego park in 2021 for its operating season.

ABI 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.

### Legal Proceedings

#### Securities Class Action Lawsuits

The Company received final court approval of settlement of a purported stockholder class action lawsuit consisting of purchasers of the Company's common stock during the periods between April 18, 2013 and August 13, 2014, captioned *Baker v. SeaWorld Entertainment, Inc., et al.*, Case No. 14-CV-02129-MMA (KSC). The settlement required the Company to pay \$65.0 million for

claims alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as the costs of administration and legal fees and expenses. The settlement does not include or constitute an admission, concession, or finding of any fault, liability, or wrongdoing by the Company or any defendant. During the year ended December 31, 2019, the Company recorded \$32.1 million of legal settlement charges, net of insurance recoveries, related to this case. The full settlement amount was funded during the year ended December 31, 2020.

On June 14, 2018, a lawsuit captioned Highfields Capital I LP et al v. SeaWorld Entertainment, Inc. et al, Case No. 3:18-cv-01276-L-BLM, was filed in the United States District Court in the Southern District of California against the Company and certain of the Company's former and present executive officers. The plaintiffs, which are investment funds managed by a common adviser allege, among other things, that the Defendants made false and misleading statements in violation of the federal securities laws and Florida common law, regarding the impact of the film *Blackfish* on SeaWorld's business. The complaint further alleges that such statements were made to induce Plaintiffs to purchase common stock of the Company at artificially-inflated prices and that Plaintiffs suffered investment losses as a result. The Plaintiffs have indicated to the Company they believe the damages are in the range of \$30 million to \$35 million before considering interest. On October 19, 2018, Defendants moved for partial dismissal of the complaint. On February 7, 2019, the Court granted Defendants' motion and dismissed Plaintiffs' Florida state law claims as well as federal securities law claims based on the Company's second quarter 2013 earnings statements. On May 1, 2019, Defendants filed their answer to Plaintiffs' complaint. The parties are in the process of completing discovery and will then have the opportunity to file any summary judgment motions per a scheduling order the Court issued which contemplates briefing into the summer and the fall. The Company believes that the lawsuit is without merit and intends to defend the lawsuit vigorously. While there can be no assurance regarding the ultimate outcome of this lawsuit, the Company believes that any potential loss would not be material.

#### *Shareholder Derivative Lawsuit*

The Company received final court approval of a settlement of a putative derivative lawsuit captioned Kistenmacher v. Atchison, et al., Civil Action No. 10437 that was filed in the Court of Chancery of the State of Delaware against, among others, the then Chairman of the Company's Board, certain of the Company's executive officers, directors and shareholders, and Blackstone. The Company was a "Nominal Defendant" in the lawsuit. Pursuant to the settlement, the Company received \$12.5 million of insurance proceeds from its insurers and adopted certain corporate governance modifications. During the year ended December 31, 2020, the Company recorded a legal settlement gain of \$12.5 million related to insurance proceeds received in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income.

#### *Consumer Lawsuit*

On April 13, 2015, a purported class action was filed in the Superior Court of the State of California for the City and County of San Francisco against SeaWorld Parks & Entertainment, Inc., captioned Marc Anderson, et. al., v. SeaWorld Parks & Entertainment, Inc. Civil Case No. 15-cv-02172-JSW. The putative class consisted of all consumers within California who, within the past four years, purchased tickets to SeaWorld San Diego. The complaint (as amended) alleged causes of action under the California False Advertising Law, California Unfair Competition Law and California CLRA. The complaint sought restitution, equitable relief, attorneys' fees and costs. The case was dismissed and refiled in the United States District Court for the Northern District of California.

The plaintiffs did not file a motion for class certification. The case was prosecuted by certain plaintiffs for individual restitution in a nominal amount and injunctive relief.

The Court bifurcated the trial of the case into two phases: the plaintiffs' standing to sue and the merits of their claims. Before the first phase of the trial, plaintiff Anderson dismissed all claims against the Company. The standing trial with regard to the remaining plaintiffs took place in March of 2020. On October 13, 2020, the Court ruled that the remaining plaintiffs have no standing to sue and judgment was entered in favor of the Company. Plaintiffs have elected not to appeal this decision and the time to do so has passed.

#### *Other lawsuits*

On or about October 9, 2018, the Company received a demand letter from attorneys representing 19 former employees who claim that the terms of their respective separation agreements entitle them to certain favorable modifications made to certain performance-vesting restricted shares issued under the Company's 2013 Omnibus Incentive Plan (the "Plan").

The parties attended non-binding mediation on October 27, 2020. The claims were not resolved. On November 9, 2020, the Company filed in the Court of Chancery of the State of Delaware an action for declaratory judgment seeking a declaration that the threatened claims of the former employees are time-barred and without merit. In response, the defendant former employees filed a motion to dismiss or in the alternative to stay and compel arbitration. The parties are currently discussing participation in an arbitration. In terms of potential exposure, the value of the total shares at issue for these 19 former employees depends largely upon the Company's current share price, which fluctuates daily. Approximately 300,000 shares are at issue. The Company believes that the former employees' claims are without merit and intends to defend vigorously its positions. While there can be no assurance regarding the ultimate outcome of this matter, the Company believes that any potential loss would not be material.

## Other Matters

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

In September 2018, the Company reached a settlement with the SEC relating to a previously disclosed SEC investigation. In connection with the settlement, without admitting or denying the substantive allegations in the SEC's complaint, the Company agreed to the entry of a final judgment ordering the Company to pay a civil penalty of \$4.0 million and enjoining the Company from violation of certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and certain rules thereunder. The settlement is recorded in selling, general and administrative expenses for the year ended December 31, 2018 in the Company's consolidated statements of comprehensive (loss) income.

Other than those matters discussed above, 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.

## 16. FAIR VALUE MEASUREMENTS

The Company has determined that of its long-term obligations, the Term B-5 Loans are classified in Level 2 of the fair value hierarchy as of December 31, 2020 and 2019, and the Senior Notes and Second-Priority Senior Notes are classified in Level 1 of the fair value hierarchy as of December 31, 2020. The fair value of the Term B-5 Loans 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. The fair value of the Senior Notes and Second-Priority Senior Notes was determined using quoted prices in active markets for identical instruments. See Note 11—Long-Term Debt.

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 was not considered a significant input and the derivatives were classified as Level 2 as of December 31, 2019. The Company did not have any derivative financial instruments outstanding as of December 31, 2020. See Note 12—Derivative Instruments and Hedging Activities.

The Company did not have any assets measured on a recurring basis at fair value at December 31, 2020. The following table presents the Company's estimated fair value measurements and related classifications for liabilities measured on a recurring basis at fair or carrying value as of December 31, 2020:

		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, 2020
<i>(In thousands)</i>					
Liabilities:					
Long-term obligations <sup>(a)</sup>	\$	787,975	\$ 1,492,378	\$ —	\$ 2,280,353

- (a) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the consolidated balance sheet as current maturities of long-term debt of \$15.5 million and long-term debt of \$2.177 billion as of December 31, 2020.



The Company did not have any assets measured on a recurring basis at fair value at December 31, 2019. 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, 2019:

	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, 2019
Liabilities:				
		<i>(In thousands)</i>		
Derivative financial instruments <sup>(a)</sup> .....	\$ —	\$ 2,156	\$ —	\$ 2,156
Long-term obligations <sup>(b)</sup> .....	\$ —	\$ 1,557,883	\$ —	\$ 1,557,883

- (a) Reflected at fair value in the consolidated balance sheet as other liabilities of \$2.2 million as of December 31, 2019.
- (b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the consolidated balance sheet as current maturities of long-term debt of \$65.5 million and long-term debt of \$1.483 billion as of December 31, 2019.

## 17. RELATED-PARTY TRANSACTIONS

### ZHG Transaction

As previously disclosed, Sun Wise (UK) Co., LTD., an affiliate to the ZHG Group ("Sun Wise"), previously held beneficial ownership of 19,452,063 shares (the "Pledged Shares") of the Company's common stock, which Sun Wise pledged in connection with certain loan obligations of Sun Wise. Sun Wise subsequently defaulted on such loan obligations and, as a result, certain of its lenders (together, the "Lenders") foreclosed on the Pledged Shares. The Pledged Shares were transferred to a security agent for the Lenders (the "Security Agent"), on May 3, 2019.

On May 27, 2019, the Security Agent entered into a share repurchase agreement with the Company pursuant to which the Security Agent agreed to sell and the Company agreed to purchase 5,615,874 of the Pledged Shares held by the Security Agent at a price per share equal to \$26.71 (the "SEAS Repurchase") for a total cost of approximately \$150.0 million. The SEAS Repurchase closed on May 30, 2019.

Also on May 27, 2019, the Security Agent also entered into a stock purchase agreement with Hill Path Capital LP ("Hill Path") and certain of its affiliates pursuant to which the Security Agent agreed to sell and certain affiliates of Hill Path agreed to purchase, in the aggregate, 13,214,000 of the Pledged Shares held by the Security Agent at a price per share equal to \$26.71 (the "HP Purchase"). The purchase closed on May 30, 2019, at which time, Hill Path's ownership percentage increased to 34.6%. See Note 20—Stockholders' (Deficit) Equity for further details.

### ZHG Agreements

As discussed in Note 4—Revenues, in March 2017, the Company entered into the ZHG Agreements. In April 2019, the Company terminated the ZHG Agreements for non-payment of undisputed amounts owed. See Note 4—Revenues for further details including amounts recorded as revenue related to the ZHG Agreements.

### Hill Path Capital LP Agreements

On May 27, 2019, in connection with the HP Purchase, the Company concurrently entered into a stockholders agreement, a registration rights and the Amended and Restated Undertaking Agreement with Hill Path (collectively, the "HP Agreements"). Under the HP Agreements, the Company agreed to appoint up to three Hill Path director designees to its Board and Hill Path agreed to certain customary standstill obligations, restrictions regarding the manner of sale of shares, and equal treatment for any change in control transaction. In addition, Hill Path agreed that shares held in excess of 24.9% generally would be voted consistent with the Board's recommendations or consistent with the shares voted by the Company's other stockholders. The Company also agreed to reimburse Hill Path for up to \$250,000 of their expenses in connection with the HP Agreements. During the year ended December 31, 2019, the Company reimbursed Hill Path for \$250,000 in expenses incurred.

## 18. RETIREMENT PLAN

The Company sponsors a defined contribution plan, under Section 401(k) of the Internal Revenue Code. During 2019 and 2018, the plan was a qualified automatic contributions arrangement, which automatically enrolled employees, once eligible, unless they opted out. Effective January 1, 2020, the plan removed the automatic contributions arrangement. Through December 31, 2019, the Company made matching cash contributions subject to certain restrictions, structured as a 100% match on the first 1% contributed by the employee and a 50% match on the next 5% contributed by the employee. Effective January 1, 2020, the plan amended the matching cash contributions structure going forward to be a 50% match on the first 4% of eligible pay contributed by the employee. In April 2020, the Company matching contribution was temporarily suspended in response to the COVID-19 pandemic. Employer matching contributions for the years ended December 31, 2020, 2019 and 2018, totaled \$1.3 million, \$7.5 million and \$7.6 million, respectively, and is included in selling, general and administrative expenses and in operating expenses in the accompanying consolidated statements of comprehensive (loss) income.

## 19. EQUITY-BASED COMPENSATION

Equity compensation expense is included in operating expenses and in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income as follows:

	For the Year Ended December 31,		
	2020	2019	2018
	<i>(In thousands)</i>		
Equity compensation expense included in operating expenses.....	\$ 522	\$ 4,076	\$ 7,387
Equity compensation expense included in selling, general and administrative expenses .....	6,945	7,030	14,765
Total equity compensation expense .....	<u>\$ 7,467</u>	<u>\$ 11,106</u>	<u>\$ 22,152</u>

Equity compensation expense for the year ended December 31, 2020, includes the reversal of expense related to certain performance vesting restricted units which were no longer considered probable of vesting and also includes the reversal of expense related to outstanding unvested equity awards previously held by the Company's former chief executive officer which were forfeited in connection with his departure. See *Previous Long-term Incentive Awards* section which follows for further details.

Equity compensation expense for the year ended December 31, 2018, includes approximately \$5.5 million related to equity awards which were accelerated to vest in connection with the departure of certain executives as required by their respective employment agreements (see Note 21—Severance and Other Separation Costs for further details). Total unrecognized equity compensation expense for all equity compensation awards probable of vesting as of December 31, 2020 was approximately \$16.3 million, which is expected to be recognized over a weighted-average period of 1.1 years.

The total fair value of shares which vested during the years ended December 31, 2020, 2019 and 2018 was approximately \$12.7 million, \$9.7 million and \$12.1 million, respectively. The weighted average grant date fair value per share of time-vesting and performance-vesting restricted awards granted during the years ended December 31, 2020, 2019 and 2018 were \$15.85, \$26.55 and \$15.40 per share, respectively.

The activity related to the Company's time-vesting and performance-vesting restricted awards during the year ended December 31, 2020 was as follows:

	Performance-Vesting Restricted Awards					
	Time-Vesting Restricted Awards		Bonus Performance Restricted Awards		Long-Term Incentive Performance Restricted Awards	
	Shares/Units	Weighted Average Grant Date Fair Value per Award	Shares/Units	Weighted Average Grant Date Fair Value per Award	Shares/Units	Weighted Average Grant Date Fair Value per Award
Outstanding at December 31, 2019 .....	725,911	\$ 21.08	333,673	\$ 26.10	1,855,828	\$ 22.34
Granted .....	1,476,758	\$ 12.99	—	\$ —	246,374	\$ 33.23
Vested .....	(432,497)	\$ 20.18	(97,616)	\$ 26.11	(79,173)	\$ 17.55
Forfeited.....	(77,593)	\$ 22.71	(212,759)	\$ 26.09	(555,393)	\$ 25.11
Outstanding at December 31, 2020 .....	<u>1,692,579</u>	\$ 14.18	<u>23,298</u>	\$ 26.16	<u>1,467,636</u>	\$ 23.38

The total intrinsic value of stock options exercised during the years ended December 31, 2020, 2019 and 2018 was approximately \$1.3 million, \$2.4 million and \$1.7 million, respectively. The activity related to the Company's stock option awards during the year ended December 31, 2020 was as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at December 31, 2019 .....	914,022	\$ 22.43		
Granted .....	128,434	\$ 20.79		
Forfeited.....	(184,059)	\$ 28.38		
Expired.....	(20,785)	\$ 19.11		
Exercised.....	(157,624)	\$ 18.53		
Outstanding at December 31, 2020 .....	<u>679,988</u>	\$ 21.51	6.89	\$ 6,860
Exercisable at December 31, 2020 .....	<u>392,671</u>	\$ 19.82	5.53	\$ 4,622

The weighted average grant date fair value of stock options granted during the year ended December 31, 2020 was \$9.69. Key weighted-average assumptions utilized in the Black-Scholes Option Pricing Model for stock options granted during the year ended December 31, 2020 were:

Risk-free interest rate.....	0.61%
Expected volatility .....	51.37%
Expected dividend yield .....	0.00%
Expected life (years) <sup>(a)</sup> .....	5.90

(a) The expected life was estimated using the simplified method, as the Company does not have sufficient historical exercise data due to the limited period of time its common stock has been publicly traded.

### **Omnibus Incentive Plan**

The Company has reserved 15,000,000 shares of common stock for issuance under the Company's Omnibus Incentive Plan (the "Omnibus Incentive Plan"), of which approximately 7,680,000 are available for future issuance as of December 31, 2020.

### ***Bonus Performance Restricted Awards***

Due to the impact of the COVID-19 pandemic and related temporary park closures, the Company did not adopt an annual bonus plan for the year ended December 31, 2020.

The Company had an annual bonus plan for the year ended December 31, 2019 (the "Fiscal 2019"), under which certain employees were eligible to vest in performance-vesting restricted units based upon the Company's achievement of specified performance goals with respect to Fiscal 2019. Based on the Company's actual Fiscal 2019 results, a portion of these units vested in the year ended December 31, 2020 and the remainder forfeited in accordance with their terms.

Separately, on October 3, 2019, in connection with its regular review of compensation matters, the Compensation Committee of the Board, approved certain equity awards designed to recognize employees for their contribution and continued expected contribution to the Company and its goals. A portion of these awards were in the form of performance-vesting restricted units which were eligible to vest based on achievement of specific performance goals with respect to Fiscal 2019. Based on the Company's actual Fiscal 2019 results, a portion of these units vested in the first quarter of 2020, another portion will vest in the first quarter of 2021 based on the employee's continued employment on such vesting date and the remainder forfeited in accordance with their terms.

### ***2020 Long-Term Incentive Awards***

During the year ended December 31, 2020, the Company granted long-term incentive plan awards to certain employees. These grants were comprised of nonqualified stock options (the "Long-Term Incentive Options") and performance-vesting restricted units (the "Long-Term Incentive Performance Restricted Units").

The nonqualified stock options generally vest ratably over two or three years, subject to continued employment through the applicable vesting date. Equity compensation expense for these options is recognized for each tranche over the vesting period using the straight-line method. Upon stock option exercises, authorized but unissued shares are issued by the Company.

The performance-vesting restricted units granted in 2020 contain a performance period through calendar year 2022 (or, the end of the 2023 calendar year, as applicable), and are otherwise consistent with the terms of the modified 2019 LTIP Performance Awards as discussed further below. Equity compensation expense has not yet been recorded related to these awards.

### *Other Long-Term Incentive Awards*

During the year ended December 31, 2020, the Company also granted time-vesting restricted units to certain employees which generally vest over three years, with one-third vesting on each anniversary of the date of grant, subject to continued employment through the applicable vesting date.

Separately, during the year ended December 31, 2020, in connection with a review of compensation matters, the Compensation Committee of the Board of Directors approved grants of approximately 1.2 million restricted stock units designed to recognize certain employees for their contributions and continued expected contributions to the Company and its long term goals during the COVID-19 pandemic. The restricted stock units will vest 50% on each of the first two anniversaries of the grant date, subject to the recipient's continued employment on each such vesting date.

### *Previous Long-Term Incentive Awards*

The Company also has outstanding time-vesting restricted awards (the "Long-Term Incentive Time Restricted Awards"), performance-vesting restricted awards (the "Long-Term Incentive Performance Restricted Awards") and nonqualified stock options granted under previous long-term incentive plan grants.

During the year ended December 31, 2020, a portion of the previously granted Long-Term Incentive Performance Restricted Awards related to completed performance periods vested, with the remainder forfeiting in accordance with their terms. The remaining outstanding Long-Term Incentive Performance Restricted Awards related to future performance periods are eligible to vest based upon the Company's achievement of pre-established performance goals for the respective performance period, as defined. Based on the Company's actual results for 2020, the previously granted Long-Term Incentive Performance Restricted Awards related to the performance period which ended on December 31, 2020 are expected to forfeit in the first quarter of 2021.

The Company previously granted long-term incentive performance restricted units in 2019 (the "2019 LTIP Performance Awards") which contained a three-year performance period consisting of the 2019-2021 calendar years (or, extended through the end of the 2022 calendar year, as applicable) and were eligible to vest based upon the Company's achievement of specific performance goals for the performance period, as defined. The total number of 2019 LTIP Performance Awards eligible to vest will be based on the level of achievement of the performance goals and ranges from 0% (if below threshold performance) up to 100% (for target or above performance). Upon achievement of the performance goals, only 50% of the award for a given level of performance will vest, with the remaining 50% subject to a one-year performance test period. The goal achieved must be met again or exceeded the next fiscal year before the remaining units are earned.

In November 2019, certain performance-vesting restricted stock units were granted to the Company's previous Chief Executive Officer (the "CEO Performance Awards"). The CEO Performance Awards had a three-year performance period consisting of the 2020-2022 calendar years (or, extended through the end of the 2023 calendar year, as applicable) which were eligible to vest based upon the Company's achievement of specific performance goals for the performance period, as defined by the CEO Performance Awards. The performance period and the performance goals for the CEO Performance Awards differed from those of the 2019 LTIP Performance Awards, as such, on February 25, 2020, the Board approved a modification (the "Modification") to the 2019 LTIP Performance Awards in order to better align its terms with those of the CEO Performance Awards. The Compensation Committee of the Board determined that it was preferable to align the 2019 LTIP Performance Awards with the CEO Performance Awards to put everyone on the same performance cycle with the same performance goals. Pursuant to the Modification, the threshold and target performance goals were revised to align with the CEO Performance Awards threshold and target performance goals and the performance period was extended through calendar year 2022 (or, the end of the 2023 calendar year, as applicable) consistent with the CEO Performance Awards. Equity compensation expense has not yet been recorded related to these awards as the performance goals are not yet considered probable of achievement. The Company will use the respective modification date fair value to record equity compensation expense related to the Modification awards when and if they become probable of vesting in a future period, in accordance with the guidance in ASC 718, *Compensation-Stock Compensation*.

## Other

During the year ended December 31, 2020, the Company granted equity awards to its non-employee members of its Board which will vest on the day before the Company's next annual meeting. Each eligible Board member elected the form of their equity award as either deferred stock units ("DSUs") or restricted stock units ("RSUs"). Each DSU granted in 2020 represents the right to receive one share of the Company's common stock three months after the respective director leaves the Board. Upon vesting, each RSU will be converted into one share of the Company's common stock.

Additionally, during the year ended December 31, 2020, the Company granted equity awards in the form of RSUs which vested immediately to each eligible Board member in lieu of quarterly cash payments related to the director's annual retainers.

## 20. STOCKHOLDERS' (DEFICIT) EQUITY

As of December 31, 2020, 94,652,248 shares of common stock were issued in the accompanying consolidated balance sheet, which includes 16,260,248 shares of treasury stock held by the Company (see Share Repurchase Program discussion below), but excludes 101,135 unvested shares of common stock and 3,082,378 unvested restricted stock units held by certain participants in the Company's equity compensation plans (see Note 19—Equity-Based Compensation).

### Share Repurchase Program

The Board had previously authorized the repurchase of up to \$250.0 million of the Company's common stock (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company is authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act.

During the year ended December 31, 2020, prior to the COVID-19 temporary park closures, the Company completed a share repurchase of 469,785 shares for an aggregate total of approximately \$12.4 million, leaving approximately \$237.6 million available under the Share Repurchase Program as of December 31, 2020. In connection with Amendment No. 12 to the Company's Amended Credit Agreement, the Company is restricted from paying any dividends or making restricted payments, including share repurchases, through the third quarter of 2022 unless certain conditions are met (see Note 11—Long-Term Debt).

During the year ended December 31, 2019, the Company completed a share repurchase of 5,615,874 shares (see discussion relating to the SEAS Repurchase in Note 17—Related Party Transactions for further details). On August 2, 2019, the Company's Board approved a replenishment to the Share Repurchase Program of \$150.0 million, bringing the total amount authorized for future share repurchases back up to \$250.0 million at that time. During the year ended December 31, 2018, the Company repurchased a total of 3,654,816 shares of common stock at a total cost of approximately \$98.0 million.

The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. The number of shares to be purchased and the timing of purchases will be based on the Company's trading windows and available liquidity, general business and market conditions, and other factors, including legal requirements, debt covenant restrictions and alternative investment opportunities.

All shares repurchased pursuant to the Share Repurchase Program, along with shares repurchased directly from selling stockholders concurrently with previous secondary offerings, are recorded as treasury stock at a total cost of \$415.3 million and \$402.9 million as of December 31, 2020 and 2019, respectively, and are reflected as a reduction to stockholders' (deficit) equity in the accompanying consolidated statements of changes in stockholders' (deficit) equity.

## 21. SEVERANCE AND OTHER SEPARATION COSTS

In September 2020, the Company committed to a plan of termination (the "2020 Restructuring Program") primarily impacting some of the Company's previously furloughed salaried, full-time and part-time employees. Substantially all of the impacted employees were furloughed as part of the Company's efforts to reduce operating expenses and adjust cash flows in light of business circumstances associated with the COVID-19 pandemic. Due to the sudden and unforeseeable economic impacts of the pandemic on the Company's business operations, that were not reasonably foreseeable at the time of the temporary furloughs, the Company transitioned certain park and corporate personnel from a furloughed status to a permanent layoff. As a result, during the year ended December 31, 2020, the Company recorded approximately \$2.7 million in pre-tax restructuring charges primarily related to severance and other termination benefits related to the 2020 Restructuring Program, which is included in severance and other separation costs in the accompanying consolidated statements of comprehensive (loss) income. Currently, some of the Company's employees at certain parks remain on furlough. The Company continues to monitor the impact of the COVID-19 pandemic and may adjust its plans accordingly. As of December 31, 2020, the remaining liability, which primarily relates to severance and other separation costs incurred as part of the 2020 Restructuring Program to be paid as contractually obligated by December 31, 2021, is included in accrued salaries, wages and benefits in the accompanying consolidated balance sheets.

The Company is committed to continuous improvement and regularly evaluates operations to ensure it is properly organized for performance and efficiency. As a result, during the year ended December 31, 2019, the Company recorded approximately \$4.2 million in pre-tax charges primarily consisting of severance and other termination benefits, which is included in severance and other separation costs in the accompanying consolidated statements of comprehensive (loss) income.

In August 2018, the Company announced a restructuring program (the “2018 Restructuring Program”) focused on reducing costs, improving operating margins and streamlining its management structure to create efficiencies and better align with its strategic business objectives. The 2018 Restructuring Program involved the elimination of approximately 125 positions during the third quarter of 2018 across the Company’s theme parks and its corporate headquarters. As a result, during the year ended December 31, 2018, the Company recorded approximately \$5.5 million in pre-tax restructuring charges primarily related to severance and other termination benefits, which is included in severance and other separation costs in the accompanying consolidated statements of comprehensive (loss) income. The Company will not incur any additional costs associated with the 2018 Restructuring Program as all continuing service obligations were completed as of December 31, 2018.

The 2020 and 2018 Restructuring Program activity for the years ended December 31, 2020 and 2019 was as follows:

	<b>2020 Restructuring Program</b>	<b>2018 Restructuring Program</b>
	<i>(In thousands)</i>	
Liability as of December 31, 2018 .....	\$ —	\$ 537
Costs incurred .....	—	—
Payments made .....	—	(537)
Liability as of December 31, 2019 .....	\$ —	\$ —
Costs incurred .....	2,658	—
Payments made .....	(2,513)	—
Liability as of December 31, 2020 .....	<u>\$ 145</u>	<u>\$ —</u>

#### **Other Separation Costs**

Severance and other separation costs for the year ended December 31, 2018 also includes severance and other employment expenses for other positions not part of a larger restructuring program and includes certain executives who stepped down from their respective positions during 2018. In particular, on February 27, 2018, the Company announced that its President and Chief Executive Officer (the “Former CEO”) had stepped down from his position and resigned as a member of the Board. In connection with his departure, the Former CEO received a lump sum cash payment of approximately \$6.7 million in severance-related benefits, in accordance with his employment agreement. Certain other executives who separated from the Company during the first half of 2018 also received severance-related benefits of approximately \$3.8 million in accordance with the terms of their respective employment agreements or relevant company plan, as applicable. These severance expenses are included in severance and other separation costs in the accompanying consolidated statements of comprehensive (loss) income for the year ended December 31, 2018.

Additionally, during the year ended December 31, 2018, certain equity awards were accelerated to vest in connection with the departure of specific executives as required by their respective employment agreements. As a result, the Company recorded incremental non-cash equity compensation expense related to these awards, which is included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive (loss) income. See Note 19—Equity-Based Compensation for further details.

**Schedule I-Registrant's Condensed Financial Statements**

**SEAWORLD ENTERTAINMENT, INC.  
PARENT COMPANY ONLY  
CONDENSED BALANCE SHEETS  
(In thousands, except share and per share amounts)**

		<b>December 31,</b>	
		<b>2020</b>	<b>2019</b>
	<b>Assets</b>		
<b>Current Assets:</b>			
Cash .....	\$	455	\$ 169
Total current assets .....		455	169
Investment in wholly-owned subsidiary .....		—	210,892
<b>Total assets</b> .....	<b>\$</b>	<b>455</b>	<b>\$ 211,061</b>
	<b>Liabilities and Stockholders' (Deficit) Equity</b>		
<b>Current Liabilities:</b>			
Loss in excess of investment in wholly-owned subsidiary .....	\$	105,803	\$ —
Other accrued liabilities .....		455	169
Total current liabilities .....		106,258	169
Total liabilities .....		106,258	169
<b>Commitments and contingencies</b>			
<b>Stockholders' (Deficit) Equity:</b>			
Preferred stock, \$0.01 par value—authorized, 100,000,000 shares, no shares issued or outstanding at December 31, 2020 and 2019 .....		—	—
Common stock, \$0.01 par value—authorized, 1,000,000,000 shares; 94,652,248 and 94,044,203 shares issued at December 31, 2020 and 2019, respectively .....		946	940
Additional paid-in capital .....		680,360	673,893
Accumulated other comprehensive loss .....		—	(1,559)
Accumulated deficit .....		(371,800)	(59,479)
Treasury stock, at cost (16,260,248 and 15,790,463 shares at December 31, 2020 and 2019, respectively) .....		(415,309)	(402,903)
Total stockholders' (deficit) equity .....		(105,803)	210,892
<b>Total Liabilities and Stockholders' (Deficit) Equity</b> .....	<b>\$</b>	<b>455</b>	<b>\$ 211,061</b>

See accompanying notes to condensed financial statements.

**SEAWORLD ENTERTAINMENT, INC.**  
**PARENT COMPANY ONLY**  
**CONDENSED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
*(In thousands)*

	For the Year Ended December 31,		
	2020	2019	2018
Equity in net (loss) income of subsidiary .....	\$ (312,321)	\$ 89,476	\$ 44,788
Net (loss) income .....	<u>\$ (312,321)</u>	<u>\$ 89,476</u>	<u>\$ 44,788</u>
Equity in other comprehensive income (loss) of subsidiary .....	1,559	(3,843)	8,454
Comprehensive (loss) income .....	<u>\$ (310,762)</u>	<u>\$ 85,633</u>	<u>\$ 53,242</u>

See accompanying notes to condensed financial statements.



**SEAWORLD ENTERTAINMENT, INC.**  
**PARENT COMPANY ONLY**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
*(In thousands)*

	For the Year Ended December 31,		
	2020	2019	2018
<b>Cash Flows From Operating Activities:</b>			
Net (loss) income.....	\$ (312,321)	\$ 89,476	\$ 44,788
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Equity in net loss (income) of subsidiary .....	312,321	(89,476)	(44,788)
Net cash provided by (used in) operating activities .....	—	—	—
<b>Cash Flows From Investing Activities:</b>			
Dividends (forfeited) received from subsidiary- return of capital, net of forfeitures .....	(1)	(5)	(61)
Capital contributed to subsidiary from exercises of stock options.....	(2,621)	(3,696)	(4,230)
Net cash used in investing activities.....	(2,622)	(3,701)	(4,291)
<b>Cash Flows From Financing Activities:</b>			
Exercise of stock options.....	2,920	3,795	4,282
Dividends paid to common stockholders .....	(12)	(61)	(325)
Net cash provided by financing activities .....	2,908	3,734	3,957
<b>Change in Cash and Cash Equivalents .....</b>	<b>286</b>	<b>33</b>	<b>(334)</b>
<b>Cash and Cash Equivalents - Beginning of year .....</b>	<b>169</b>	<b>136</b>	<b>470</b>
<b>Cash and Cash Equivalents - End of year .....</b>	<b>\$ 455</b>	<b>\$ 169</b>	<b>\$ 136</b>
<b>Supplemental Disclosures of Noncash Financing Activities</b>			
Dividends from subsidiary- return of capital, for purchase of treasury stock.....	\$ 12,406	150,000	98,032

See accompanying notes to condensed financial statements.

**SEAWORLD ENTERTAINMENT, INC.**  
**NOTES TO CONDENSED PARENT COMPANY ONLY FINANCIAL STATEMENTS**

**1. DESCRIPTION OF SEAWORLD ENTERTAINMENT, INC.**

SeaWorld Entertainment, Inc. (the “Parent”) was incorporated in Delaware on October 2, 2009. At that time, the Parent was owned by ten limited partnerships, ultimately owned by affiliates of The Blackstone Group L.P. (“Blackstone”) and certain co-investors. Parent completed an initial public offering in April 2013. In May 2017, an affiliate of Zhonghong Zhuoye Group Co., Ltd., Sun Wise (UK) Co., LTD. (“Sun Wise”) acquired approximately 21% of the then outstanding shares of common stock of the Company (the “ZHG Transaction”) from certain affiliates of Blackstone. Subsequent to the ZHG Transaction, Blackstone did not own any remaining shares of the Company. See further discussion relating to subsequent ownership changes in Note 17–Related-Party Transactions in the accompanying consolidated financial statements.

The Parent has no operations or significant assets or liabilities other than its investment in SeaWorld Parks & Entertainment, Inc. (“SEA”), which owns and operates twelve theme parks within the United States. Accordingly, the Parent is dependent upon distributions from SEA to fund its obligations. However, under the terms of SEA’s various debt agreements, SEA’s ability to pay dividends or lend to the Parent is restricted, except that SEA may pay specified amounts to the Parent to fund the payment of the Parent’s tax obligations.

The COVID-19 pandemic materially impacted operations for SEA for the year ended December 31, 2020. See further discussion relating to the impact of the COVID-19 pandemic in Note 1–Description of the Business in the accompanying consolidated financial statements.

**2. BASIS OF PRESENTATION**

The accompanying condensed financial statements (the “parent company only financial statements”) include the accounts of the Parent and its investment in SEA accounted for in accordance with the equity method and do not present the financial statements of the Parent and its subsidiary on a consolidated basis. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted since this information is included with the SeaWorld Entertainment, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K (the “consolidated financial statements”). These parent company only financial statements should be read in conjunction with the consolidated financial statements.

**3. GUARANTEES**

SEA is the borrower under the senior secured credit facilities, (the “Senior Secured Credit Facilities”) under a credit agreement (the “Amended Credit Agreement”) dated as of December 1, 2009, as the same may be amended, restated, supplemented or modified from time to time. On April 30, 2020, SEA closed on a private offering of \$227.5 million aggregate principal amount of 8.750% first-priority senior secured notes due 2025 (the “Senior Notes”). On August 5, 2020, SEA closed on a private offering of \$500.0 million aggregate principal amount of 9.500% second-priority senior secured notes due 2025 (the “Second-Priority Senior Notes”).

Under the terms of the Senior Secured Credit Facilities, the obligations of SEA are fully, unconditionally and irrevocably guaranteed by Parent, any subsidiary of Parent that directly or indirectly owns 100% of the issued and outstanding equity interest of SEA, and subject to certain exceptions, each of SEA’s existing and future material domestic wholly-owned subsidiaries (collectively, the “Guarantors”).

The Senior Notes and Second-Priority Senior Notes are fully and unconditionally guaranteed by Parent, any subsidiary of Parent that directly or indirectly owns 100% of the issued and outstanding equity interests of SEA, and subject to certain exceptions, each of SEA’s subsidiaries that guarantees SEA’s existing senior secured credit facilities.

See Note 11–Long-Term Debt of the accompanying consolidated financial statements for further details.

**4. DIVIDENDS FROM SUBSIDIARY**

During the years ended December 31, 2020, 2019 and 2018, SEA paid dividends to the Parent of approximately \$12.4 million, \$150.0 million and \$98.0 million, respectively. The dividends were in the form of payments that SEA made for share repurchases at the Parent level (see Note 5–Stockholders’ (Deficit) Equity which follows).

During the years ended December 31, 2020, 2019 and 2018, Parent paid accumulated dividends, net of forfeitures, related to shares that carried dividend rights from previous dividend declarations which vested during the respective year.

## 5. STOCKHOLDERS' (DEFICIT) EQUITY

### Omnibus Incentive Plan

The Parent has reserved 15,000,000 shares of common stock for future issuance under the Omnibus Incentive Plan (the “Omnibus Incentive Plan”), of which approximately 7,680,000 are available for future issuance as of December 31, 2020.

The Omnibus Incentive Plan is administered by the compensation committee of the Parent’s Board, and provides that the Parent may grant equity incentive awards to eligible employees, directors, consultants or advisors of the Parent or its subsidiary, SEA, in the form of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based and performance compensation awards. If an award under the Omnibus Incentive Plan expires or is canceled, forfeited, or terminated, without issuance to the participant, the unissued shares may be granted again under the Omnibus Incentive Plan. See further discussion in Note 19–Equity-Based Compensation of the accompanying consolidated financial statements.

During the years ended December 31, 2020 and 2019, respectively, Parent transferred approximately \$2.6 million and \$3.7 million in proceeds received from the exercise of stock options to SEA as a capital contribution and increased its investment in SEA.

### Share Repurchase Program

The Parent’s Board previously authorized the repurchase of up to \$250.0 million of the Company’s common stock (the “Share Repurchase Program”). Under the Share Repurchase Program, the Parent is authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time.

During the year ended December 31, 2020, prior to the COVID-19 temporary park closures, the Parent repurchased a total of 469,785 shares of common stock at a total cost of \$12.4 million, leaving approximately \$237.6 million available under the Share Repurchase Program as of December 31, 2020. In connection with Amendment No. 12 to the SEA’s Amended Credit Agreement, the Parent is restricted from paying any dividends or making restricted payments, including share repurchases, through the third quarter of 2022 unless certain conditions are met. See further discussion in Note 11–Long-Term Debt of the accompanying consolidated financial statements.

During the year ended December 31, 2019, the Parent repurchased a total of 5,615,874 shares of common stock at a total cost of approximately \$150.0 million. During the year ended December 31, 2018, the Parent repurchased a total of 3,654,816 shares of common stock at a total cost of approximately \$98.0 million.

All shares repurchased pursuant to the Share Repurchase Program, along with shares repurchased directly from selling stockholders concurrently with previous secondary offerings, are recorded as treasury stock at a total cost of \$415.3 million and \$402.9 million as of the years ended December 31, 2020 and 2019, respectively, and are reflected as a reduction to stockholders’ (deficit) equity in the accompanying condensed balance sheets. See further discussion in Note 20–Stockholders’ (Deficit) Equity of the accompanying consolidated financial statements.

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# Corporate Information

## BOARD OF DIRECTORS:

**Scott Ross** <sup>A,C,D</sup>

**Chairman**

Managing Partner and Founder of Hill Path Capital, L.P.

**Ronald Bension** <sup>A,B</sup>

President and CEO, ASM Global

**James Chambers** <sup>A,C,D</sup>

Partner, Hill Path Capital, L.P.

**William Gray** <sup>A,B,C</sup>

Former Co-CEO of Ogilvy Group North America

**Timothy J. Hartnett** <sup>B</sup>

Chief Executive Officer, New Roc Management

**Charles Koppelman** <sup>A,C</sup>

Chairman and Chief Executive Officer of CAK Entertainment, Inc.

**Yoshikazu Maruyama** <sup>A,D</sup>

Chief Executive Officer TOCA Football, Inc.

**Thomas E. Moloney** <sup>B,D</sup>

Former Senior Executive Vice President and Chief Financial Officer, John Hancock Financial Services, Inc.

**Neha Jogani Narang** <sup>A</sup>

Independent Marketing Consultant, Former Director of Consumer and Developer Product Marketing, Facebook, Inc.

**Kimberly K. Schaefer** <sup>A</sup>

President, Two Bit Circus, Inc.

<sup>A</sup> Member of the Revenue Committee

<sup>B</sup> Member of the Audit Committee

<sup>C</sup> Member of the Nominating and Corporate Governance Committee

<sup>D</sup> Member of the Compensation Committee

## COMPANY EXECUTIVES:

**Marc G. Swanson**

Interim Chief Executive Officer

**Walter Bogumil**

Chief Operating Officer

**Dr. Christopher (Chris) Dold**

Chief Zoological Officer

**Elizabeth C. Gulacsy**

Chief Accounting Officer and Interim Chief Financial Officer and Treasurer

**Sharon (Sherri) Nadeau**

Chief Human Resources Officer

**G. Anthony (Tony) Taylor**

Chief Legal Officer, General Counsel and Corporate Secretary

## TRANSFER AGENT & REGISTRAR:

For information or assistance regarding individual stock records, contact your broker or the Company's transfer agent, Computershare. Computershare may be reached at: 1-800-851-9677.

## STOCK EXCHANGE LISTING:

The Company's common stock is listed on the New York Stock Exchange under the ticker symbol "SEAS."

## FORWARD-LOOKING STATEMENTS:

This Annual Report contains certain forward-looking statements that are based largely on the Company's current expectations. Forward-looking statements are subject to certain risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the forward-looking statements. For more information about these forward-looking statements and related risks, please refer to the "Special Note Regarding Forward-Looking Statements" beginning on page 1 of the Company's Annual Report on Form 10-K and "Risk Factors" included herewith.

## CORPORATE GOVERNANCE:

Information concerning our Corporate Governance practices, including our Code of Business Conduct and Ethics, Committee Charters and Corporate Governance Guidelines, is available on our Investor Relations website at [www.seaworldinvestors.com](http://www.seaworldinvestors.com).

## INVESTOR RELATIONS:

Anyone seeking information about SeaWorld Entertainment, Inc. is encouraged to visit us online at [www.seaworldinvestors.com](http://www.seaworldinvestors.com). The Company provides a variety of information about the business on its websites. Prospective and current investors may also contact the investor relations team at: Phone: 855-797-8625 Email: [investors@seaworld.com](mailto:investors@seaworld.com)

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:

Deloitte & Touche LLP  
201 N. Franklin Street, Suite 3600,  
Tampa, FL 33602-5827

# SEAWORLD ENTERTAINMENT®



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