Fall 2019

Research Project in Finance: SIX Six Flags Entertainment Corporation

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SIX

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Research Project in Finance

By Keagan Parsons

Company Overview

Six Flags Entertainment Corporation is a theme park company that offers guests thrill rides, water attractions, and other themed events. Six Flags currently operates 25 parks, with 22 parks in the United States, 2 parks Mexico and one in Montreal, Canada. These 25 parks span over 5,900 acres of land and the company has an additional 800 acres of available land yet to be used. In 2018, Six Flags had an aggregate of 920 rides being offered, with the largest segment being their 150 roller coasters.

Six Flags holds exclusive licensing, through Warner Bros and DC Comics, of the theme park usage of characters (through advertising and merchandising). Such characters include Bugs Bunny, Daffy Duck, Batman, Superman, and Wonder Woman. Much of the competitive viability of Six Flags is limiting theme park competition, due in part to limited viable real estate in key areas. The company generates revenue through ticket sales, food and merchandise sales, sponsorships, and licensing, among others. Six Flags has annual revenue of $1.5B, with a market cap and enterprise value of $5B and $8B, respectively.

Company History

In 1961, Six Flags was founded in Grand Prairie, Texas, with the first park opened by Angus G. Wynne. The name “Six Flags” is actually a reference to the “countries,” or flags, that ruled over Texas since the 1500s. The first park acted as a cultural tribute to these six nations, with the park divided into sections based on each country— Spain, France, Mexico, the Republic of Texas, the United States of America, and the Confederate States of America. Initial attractions in this park were Native American villages, gondola rides, and western and pirate-based rides and displays. This original park was sold in 1966 to a subsidiary to Pennsylvania Railroad.

However, the company, due to increased capital from additional owners and sale of park, invested in the first two new parks that are still operating today: Six Flags over Georgia (1967) and Six Flags over Mid-America (Eureka, MO 1971). Initial rides at these parks included steel coasters, bumper cars and boats, racetracks, towers, carousels, log flumes, and railways. Six Flags' expansion over the next few decades was primarily through acquisitions, beginning with Six Flags Magic Mountain (1971), acquiring Astroworld (1975), Great Adventure (1977), Magic Mountain (1979), and Great America (1984). Due to the acquisition of Great America Park in Gurnee, Illinois, Six Flags "Corporation" acquired the rights to Times Warner's Looney Toon Characters and DC comic characters.

Following this partnership, Times Warner increased their stake in Six Flags Corporation over the next few years until they owned the company in 1993, switching the name to Six Flags "Theme Park Inc." In 1998, Six Flags was purchased by Premier Parks for $1.86 billion. Premier Parks already owned a variety of property, water parks, and amusements parks across the United States and saw an estimated 8.8 million people annually. In 2000, Premier Parks assumed the "Six Flags" names on their parks.

In 2004, facing increased debt and investor turmoil, Six Flags was forced to close and sell many of its properties and parks. In 2007, Six Flags sold six of their major parks for $312 million to CNL Lifestyle Properties. In June 2009, following the recession and continually declining cash flow, Six Flags was forced to declare Chapter 11 bankruptcy, although it intended to continue operations through restructuring. In August 2009, Six Flags announced its restructuring plan which traded 92% control of the company to its lenders for an erasure of its $1.13 billion in debt.

Recent Developments

Since 2009, Six Flags has grown annual revenue by $447 million, net income from -$194 million to $316 million, and free cash flows from -$83 million to $277 million. The company's stock is currently trading at $50.32, up from ~$8.75 in 2010. The following table summarizes Six Flag's recent developments following the 2009 restructuring:

Jun-14	Announced partnership with Riverside Investment Group to build multiple parks in China over the next decade
Jan-16	Announced Six Flags Zhejiang in China
Feb-16	Announced Six Flags Hurricane Harbor in Morelos, Mexico
Mar-16	Announced partnership with Navi Entertainment to build a park in Vietnam
May-18	Announced purchase of leases for five parks across the United States
Feb-19	Six Flags Zhejiang Opens (expecting to generate $4.6 billion in revenue)
Oct-19	Six Flag is reportedly still in talks to purchase competitor Cedar Fairs for $4 billion.

Notably, Six Flags is attempting to rapidly expand geographically, with increased locations in China still developing, and recent ventures in Vietnam and Mexico., Six Flags has also been attempting to start a park in Dubai with little success. In addition, early indication regarding the Cedar Fair acquisition is that they have rejected the $4 billion offer, considering it "too low."

Company Growth Initiatives

The continued expansion shown by the company's recent developments is reflective of management's "five strategic pillars to achieve profitable and sustainable growth." These pillars were outlined by management in their most recent quarterly report, being membership penetration, improving ticket yields, in-park program expansion, and North America expansion and global franchising.

Membership Penetration: Six Flags hopes to deepen their membership penetration, or those on the membership plan or season pass holders, which expect to increase average selling prices and retention rates. Revenue from these members are up 5%, on a percentage of TTM revenue basis, from 20% in Q1 2019. Management is planning on continuing to add membership layers as incentives to increase sales.

Ticket Yields: According to survey conducted on park guests, Six Flags is considered high value in comparison to other entertainment outlets. Management expects to be able to raise prices on ticket to mid-single digits over the next few years. In addition, their higher tiers in their membership program should also allow for higher ticket prices and yields.

In-Park Programs: Six Flags is hoping to bolster their in-park value by providing additional features in the coming years, including additional special events. Furthermore, Six Flags has been installing Wi-Fi across all parks and improved functionality of their mobile app for increased dining facilitation and feedback to promote satisfaction and spending.

North American Expansion Efforts: As a part of their Active Base Pass (flexibility between parks), Six Flags is hoping to improve profitability of North American acquisitions, which should also provide additional revenues and cost synergies. Management plans on remaining disciplined with such acquisitions, which are funded by their strong balance sheet and profitable cash flows. As such, Six Flags has made 8 such acquisitions since the announcement of the initiative in Q1 2017.

International Franchising: In addition to their North American expansion, Six Flags plans on utilizing their brand name in global expansion efforts. Management plans on targeting areas with an emerging middle class and where there are few entertainment options. Currently, Six

Flags has 8 parks in 3 locations under construction and are confident in announcing additional locations soon.

Management outlined that they are willing to invest 9% of annual revenue in such capital expenditures, while also remaining committed to enhancing shareholder value through dividends and share buybacks. Their Phonetic dividend yield of 6%, coupled with increased capital investment, positive cash flows, and a projected EBITDA growth of 8% over the next couple years reflects management assertion that their equity remains undervalued.

Management Overview

Listed below are some of the key members on Six Flags' management team. Worth noting, the CEO, James Reid-Anderson, announced he intends to retire in February 2020. The company is currently looking for a successor.

Name (age)	Position(s)	Summary
James Reid-Anderson (59)	President; CEO	(Note, Andersons informed the company he intends to retire February 2020. The company is currently looking for a successor). Anderson has held his current position since 2017 Prior to joining Six Flags, Anderson had been chairman of the company from February 2016 to July 2017. Previously, from August of 2010 until joining Six Flags, Anderson had been President and CEO at Dade Behring Inc.
Tom Iven (60)	Senior Vice President, U.S. Park Operations	Tom Iven has held his current position since April 2014. Iven began his career at Six Flags in 1976. He has held a number of management positions including General Manager of Six Flags St. Louis in 1998. In 2001, Iven was promoted to Executive Vice President, Western Region, a post he held until 2006 when he was named Senior Vice President.
Dave McKillips (47)	Senior Vice President, International Park Operations	David McKillips has held his current position since January 2018. McKillips had previously served as Senior VP of In-Park Services from January 2016 to January 2018 and Senior VP, Corporate Alliances from September 2010 to January 2016. Mr. McKillips has over 20 years of experience in the entertainment and theme park industry, specializing in promotion, sponsorship and consumer product licensing sales.
David Austin (56)	CIO; Senior VP of Information Systems	Austin has held this role since 2017. Before joining Six Flags, from 2014-2017, Austin was the Chief Technology Officer at Berkshire Hathaway Automotive. Austin also serviced as the VP of Information Technology at Larry H. Miller Group from 2007-2014
Marshall Barber (55)	CFO	Barber has been the CFO of Six Flags since 2016. From 2006-2016, Barber was the VP of business planning at Six Flags, and has held various other positions since joining the company in 1996.
Taylor Brooks (32)	CAO, Vice President	Brooks has been the Chief Accounting Officer and VP of Six Flags since June of 2018. He had previously served the company as the Financial Reporting Manager from 2015 to June 2018 and the Director of Accounting and the Assistant Controller from 2013-2015.

[Six Flags Website "Leadership"]

SWOT Analysis

Listed below is a SWOT analysis for Six Flags. Much of the strength of the company is its position in the industry, which is subject to very little competition and benefits from high margins. In addition, Six Flags has partnerships and an intellectual portfolio which should allow for it to remain a viable part of the industry for years to come. However, the company is funded by >100% debt, and suffers from low liquidity as a result. Furthermore, while acquisitions have the potential to expand the company, it also presents the potential for massive losses. In addition, Six Flags suffers from operating efficiencies and is in a very cyclical industry. Nonetheless, provided Six Flags continues to grow their brand domestically and abroad, there is large growth potential. However, given the industry's reliance on R&D to continue to bring in new visitors, there is a technology risk to the company. Furthermore, given the globalization of the company, there are trade barriers/exchange rate risk the company faces. The company also faces environmental/safety regulations on their rides.

Internal	Strengths:	Weakness:
	-Established brand across North America/Asia	-Poor liquidity/high debt/negative equity
	-Currently have 25 parks with an additional 800 acres unused	-Integration/acquisition risk from expansion
	-Strong revenue/net income/FCF growth over past 10 years	-Reliance on leasing for much of property
	-Expansive number of trademarks/patents in portfolio	-Operating inefficiencies/high turnover
	-Commitment to growth through strong CAPEX results	-Negative trend of children 10-19
	-Considered good value by customers	-Low employee retention rate
	-Differenitated portfolio of products/rides from industry	-Highly regulated/potential for litigation
	-Very high barriers to entry with startup costs/innovation/brand	-Increases in price/wages of workers
	-Holds many strategic partnership through supply chain/acquisitions	-Seasonality/weather-dependent sales
External	Opportunities:	Threats:
	-Commitment to customer-based feedback on improvements	-Innovatedly outpaced by competitors
	-General increase in GDP--wealth/discretionary income of citizens	-Potential for rising supply chain costs
	-Openess in China/other parts of Asia to expansion efforts	-Subject to exchange rate fluctuations
	-Growth/stability in tourism to United States	-Domestic and trade regulations on products
	-Potential for growth in North America through M&A	-Weakness in employee turnover
	-Further capacity, through R&D, to differentiate and expand product	-Subject to changes in consumer tastes
		-Weather-dependent/seasonability of FCF

Industry Analysis

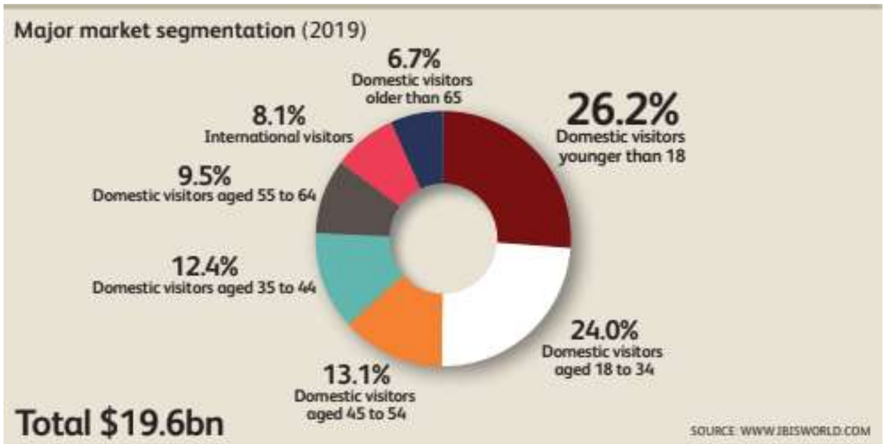
Six Flags operates in the amusement park industry. This industry offers themed parks which facilitates mechanical rides, water rides, games, shows, exhibits, and refreshments. The major players of the industry are the Walt Disney Company (49.6% of industry revenue), Universal Parks and Resorts (18.3%), SeaWorld Entertainment Inc. (7.1%), Six Flags Entertainment Corporation (7.3%) and Cedar Fair LP (6.0%). These six companies represent almost 90% of the industry. The industry boasts a profit margin of greater than 8% better than the sector, with much lower wages costs. The industry has grown at a moderate 4.2% over the past five years and is projected to grow at 1.3% over the next five. The industry is cyclical and is currently in the growth phase of its life cycle.

The industry breaks down, by its annual revenue of ~$20 billion, with 66.5% from admission and rides/games, 13.3% food/beverages, and 10.6% merchandise. Admission revenue largely stems from entrance ticket sales but can also include in-the-park entertainment like coin-operating games, arcades, additional rides, and access to certain areas of the park. The merchandise revenue is largely driven by the extensive licensing rights of the companies.

Much of the renewed interest in the industry is the continued investment in new themes/rides/parks by each company. The Walt Disney Company is planning on opening a massive Star Wars themed park in both Florida and California in the next five years (2024). Universal Parks opened The Wizarding World of Harry Potter in 2016. Six Flags continues its expansive effort to create a large presence in China with Six Flags Zhejiang opening this year.

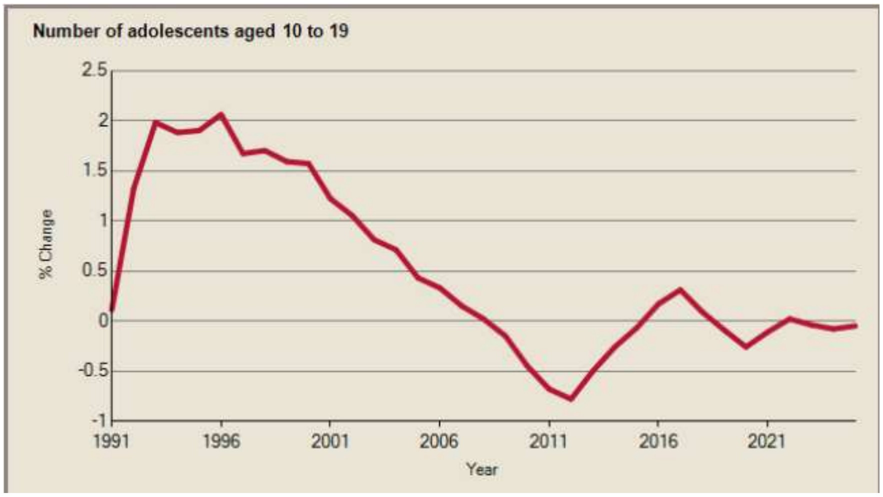
When considering the amusement park industry, it is worth considering how the age effects of demand. As seen below, the most popular age segment is those under the age of 18 at

26.2% (with the next youngest segment at 24%).



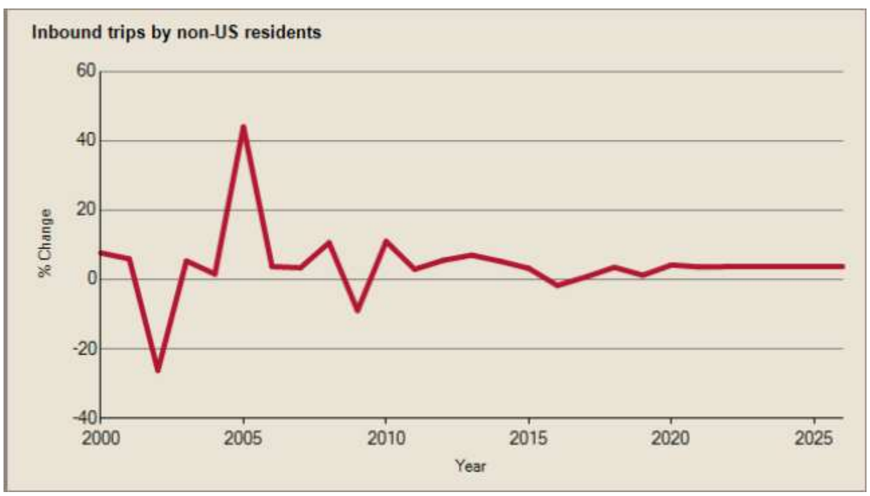
[IBISWorld April 2019 Industry Report]

Since 1990, the birth rate of the country has fallen from 16.7 (per 1,000) in 1990 to 12.4 in 2016. The following chart demonstrates the projected growth rate of individuals ages 10-19. The rate over the next few years is projected to remain below 0%. In addition, it is worth noting that during the 1990s to 2007, the country had a positive growth rate. As such, the spiral effect of negative or constant growth rate in adolescents with have future impacts on both adolescents and the 18-34 revenue segments. Specifically, however, the percentage number of individuals under 19 is only supposed to fall from 24.8% to 24.2% from 2020 to 2025. Furthermore, the number of individuals in this age growth is supposed to rise 700,000 over the same period. As such, while the general population is getting older, the younger population base is still increasing.



[IBISWorld April 2019 Industry Report]

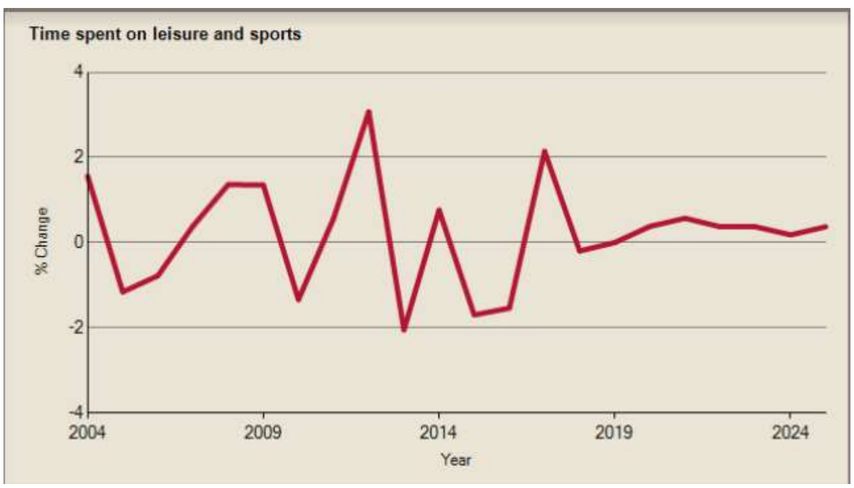
Another industry-specific factor to consider is the level of tourism to the United States. As seen above, international visitors comprise 8.1% of the industry revenue. The chart below displays the number of inbound trips expected in the coming years for the United States



[IBISWorld April 2019 Industry Report]

The number of trips is expected to grow at 3.7% over the next five years, as the global economy is growing. Countries like China, Taiwan, Colombia, India, and Brazil are projected to visit the United States at an increased rate. Given that Six Flags is primarily North American attraction, these parks should prove attractive to tourists and bolster revenue growth. However, it is worth noting that Six Flags is not considered a “destination” park like Disney Land, Disney World, and Universal Studios. Nonetheless, Six Flags’ unique licensing rights and near North American exclusivity should allow it to continue to draw in tourists.

Given that amusement parks are a form of entertainment, it should correlate with the amount of time available for such activities. Listed below are projected for the percentage change in time available for leisure and sports for the average American.



[IBISWorld April 2019 Industry Report]

The amount of time available for leisure is expected to increase by a modest 1.5% over the next five years. While this forecast is largely dependent on the economy, this figure has remained above 5 hours/day/capita over the past 15 years.

Porter's Five Forces

Competition in the Industry: The industry is comprised largely of the six companies which account for nearly 90% of the market share. As such, competition in the industry is largely internally driven, as the barriers to entry are very high. For starters, to compete with the major players, would need a viable geographic of 100-300 acres and an initial capital investment of greater than $500 million in order to create a somewhat comparable theme park. Furthermore, given that much of the draw of the industry is through their licensed products, there is very little competitive viability in startup amusement parks. Much of the competition internally driven is not through pricing, as geographically locations would prevent such comparative shopping, but through sustainable development in product and brand image. As such, competition in the industry remains high as there is an expectation of continued improvement/newness with each park. As far as external competitors, alternatives leisure activities sporting events, music festivals, theatrical performances, and outdoor events can represent a cheaper or more memorable experience.

Threat of New Entrants: As mentioned above, the industry faces very little competition for new entrants due to very high startup costs. For Six Flags specifically, those still applicable to the industry, it is estimated that it would cost $500 million to $700 million and would take a minimum of four years to construct a theme park that compares to Six Flags. Furthermore, finding such a geographic location and land mass that isn't already penetrated with an established park would prove difficult. Lastly, much of the draw with Six Flags, Disney Land/World and Universal Studios is the trademarked, licensed characters and rides. As such, any new competitor would likely need to buy out an existing competitor and bring with them substantial licensing rights to really create a "new" entrant.

Bargaining Power of Suppliers: Much of the demand for the supply chain is to generate Six Flags' in-the-park revenue. Thus, merchandise, food, beverages, products, and some machinery is necessary for Six Flags to continue to operate. However, most of these products are very low cost and can easily be duplicated by several suppliers. In addition, amusement parks are a large demander of such goods and provide a large source of revenue to such suppliers. As such, suppliers have very little supply-chain power, as there a several companies providing low-cost products to a large demander.

Bargaining Power of Customers: The bargaining power of the customers, unlike other products, isn't driven largely by price. Instead, customers are more concerned with the experience of the event, and continued viability/newness of such an experience. As such, the customers have some bargaining power, while there are substitutes, typically, for amusement parks, there can be other outlets for leisure (sporting events, concerts, etc.) provided the "experience" is greater. Nonetheless, the uniqueness of an amusement park, when compared to other leisurely events, results in a low bargaining power of the customers.

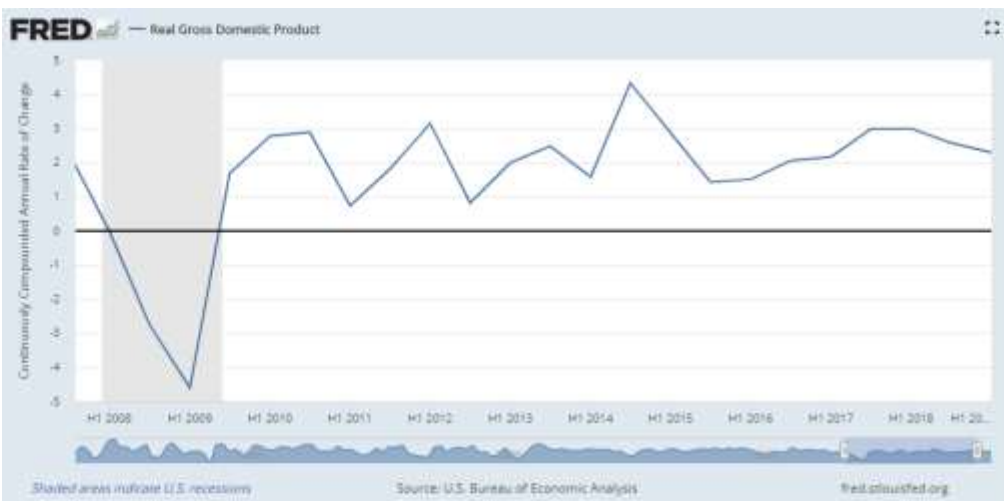
Threat of Substitutes: Due to how spread out geographically amusement parks are, there is very little threats for substitutes, hence the price flexibility.

Economic Analysis

Short-Term

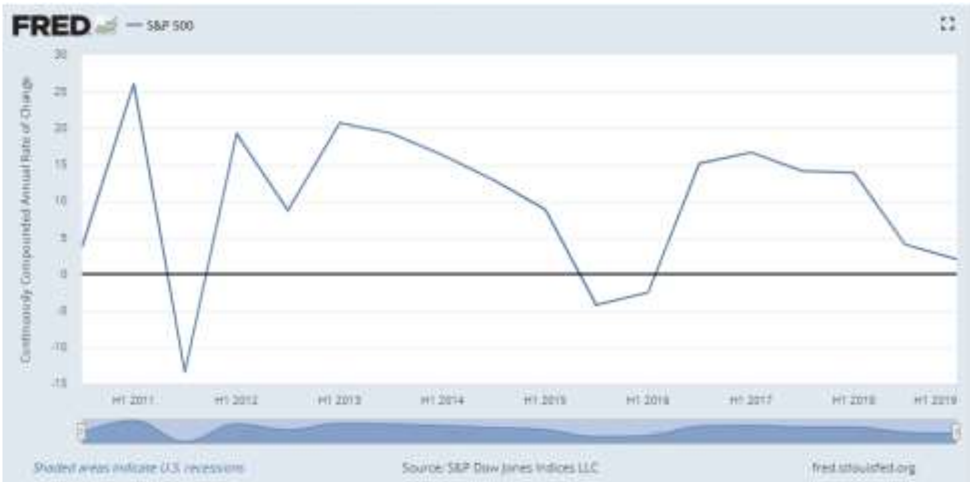
In order to determine the short-term condition of the economy, certain coincident indicators were chosen. These indicators include a current reflection of the economy (Real GDP), a reflection on investor sentiment (S&P index), a reflection on employer sentiment (employment levels), and a reflection on consumer sentiment (personal consumption). Given that Six Flags operates cyclically, it should move with the economy.

The United States' Real GDP semi-annual results are listed below, represented as a continuously compounded rate of change. The growth rate has remained above 2 over the past six periods. However, the growth rate has declined over the past two periods, from 2.99% in 1H18, to 2.57% in 2H18, to 2.29% in 1H19. Thus, while the economy has been growing steadily, the rate at which it is *growing* is declining. As such, the economy appears to be slowing down, albeit, slowly.



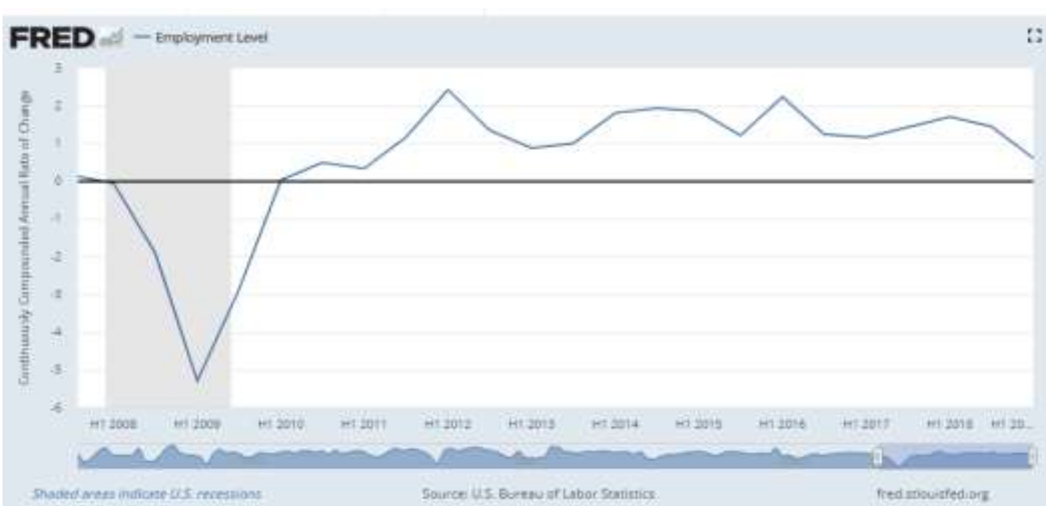
[St. Louis FRED]

Investor sentiment, represented by the continuously compounded semi-annual rates of change in the S&P index, is shown below. The S&P growth rate reached negative by 2H15 and had been gradually improving (for the most part) until 1H18. Since then, the growth rate has dipped from 13.9% to 2.1% in 1H19. Thus, investor sentiment appears to be rapidly waning as the S&P slows.



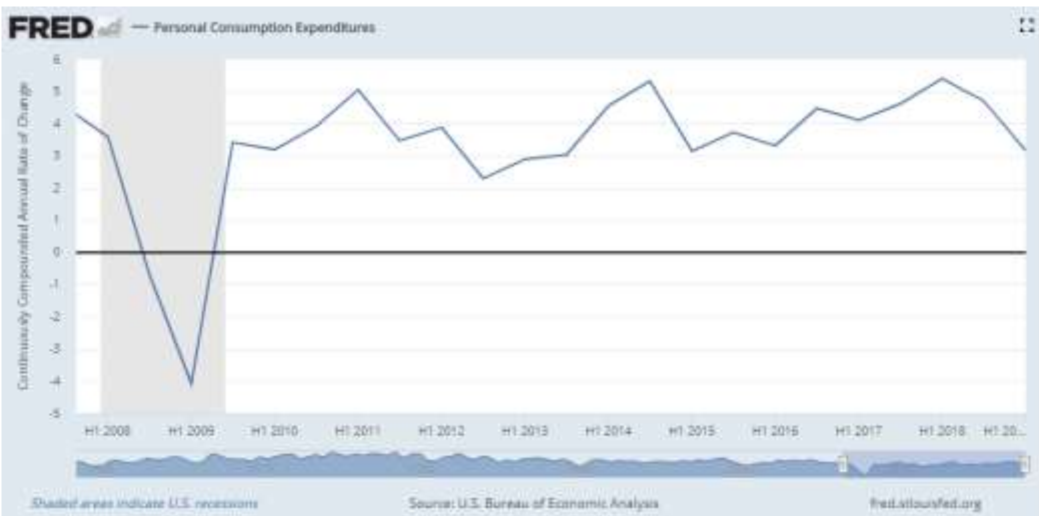
[St. Louis FRED]

Employer sentiment, represented by changes in the number of current employees on a continuously compounded semi-annual rate of change, is shown below. Employment growth rates have remained positive since 2010, with continual fluctuations since then. However, the employment growth rate has declined dramatically in 1H19 to 0.6%, the lowest level since 1H11. Given that the employment level is just a measure of jobs filled, the economy is approaching full capacity in the workforce. While not necessarily a bad thing, it does indicate some stagnation in the economy's growth potential.



[St. Louis FRED]

Personal consumption, a measure of excess spending by civilians, is shown as a semi-annual continuously compounded rate of change below. The growth in personal consumption has remained positive and stable since 2009, not falling below 2.2% since. However, the rate of change has declined over the past two periods to 3.15%, mirroring the decline in Real GDP. However, this decline is following the highest rate of growth in personal consumption since 2006 and could just represent a stabilization from that level.



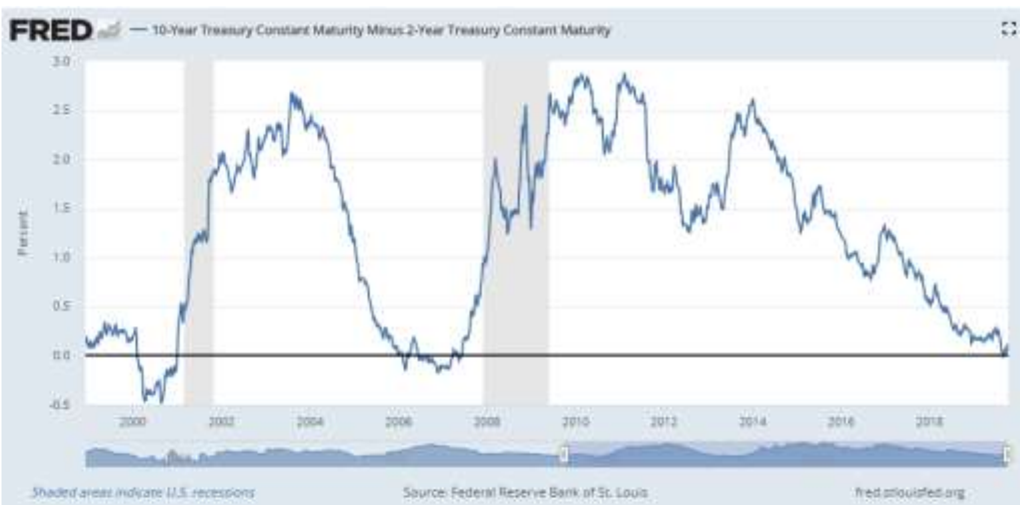
[St. Louis FRED]

Overall, there is high synchronization between the coincident indicators, with most of them slowing over the past 2-3 periods. However, most of these dips are very slight declines, with the greatest being the market, the most liquid but least reflective of the economy. Overall, my takeaway for the short term is to expect an economic slowdown but a mild one.

Medium-Term

Medium-term economic indicators, or leading indicators, help predict where the economy is heading. A few indicators that are useful in this respect include the interest rate spread, consumer confidence and new private housing permits. All three of the indicators declined rapidly prior to the 2008 recession, making them excellent forecasting tools.

Listed below is the spread between the 10-year and 2-year Treasuries. It is worth noting that, prior to the 2008 recession, the interest rate spread declined precipitously, reaching a negative spread prior to the actual recession. In addition, the end of August 2019 saw the spread go negative before bouncing back. However, the 2008 recession saw the same thing, as investor sentiment prefers sacrificing liquidity due to presumed uncertainty/recession. This indicator is certainly one indication that the economy is heading toward a recession in the next year or so.



[St. Louis FRED]

A second predictor for medium-term economic forecast is the number of new private housing units authorized. Thus, this indicator is a good predictor because it reflects the accommodation of longer-term growth potential of the economy. Notably, prior to 2008, the number of housing units authorized declined rapidly. Furthermore, this number of permits also decline before the 1991 recession (though not forecasted in the 2001 downturn). However, since the 2008 recession, the number of new units have increased steadily, with very little downturn. As such, according to this indicator, there is no “major” recession currently expected.

[St. Louis FRED]

The University of Michigan’s monthly consumer sentiment polls the confidence level in the economy. Notably, in both 2001 and 2008, consumer sentiment rapidly declined prior to the recession. It is worth noting, however, this indicator is only predicted about 3 quarters prior. Nonetheless, consumer sentiment remains at its strongest level since before the 2008 recession, indicating that a recession will not occur in the next few quarters.

[St. Louis FRED]

While the inverted yield curve is concerning, the fact that housing development and consumer confidence remains strong should dispel concern for a recession in the next few quarters.

<u>Long-Term</u>

Long-term economic indicators assume that the economy is cyclical and, periodically, it reaches its "maturity" phase and experiences a general decline. This contention is very hard to prove since it is backward looking. Nonetheless, the chart below displays the average week unemployed. Assuming each recession represents the end of a business cycle, each recession is marked by a 20-50% decline from the peak level in the average week unemployed prior to the recession. Notably, in this "business cycle," the average weeks unemployed has declined by 46%. Again, operating under the assumption that a recession will occur at the 50% mark, a recession should occur in about 1.5 years.

[St. Louis FRED]

Financial Ratio Analysis

<u>Profitability</u>:

Listed below is a snapshot of Six Flags' profitability ratios. Notably, margins are improving as a whole and are much better than the industry. However, the DuPont analysis yields a negative ROE due to the negative equity multiplier (Six Flags has negative stockholder's equity for 2018). Nonetheless, both the company's TAT and net profit margin are improving and are comparable to the industry.

	Current	Trend	Industry
ROA	12.55%		6.56%
ROE	-49.14%		26.68%
Total Asset Turnover	54.03%		60.64%
Net Profit Margin	23.24%		12.48%
Equity Multiplier	-391.44%		450.45%
Operating Profit Margin	39.10%		19.59%
EBITDA Margin	46.68%		29.93%

Liquidity:

Listed below is a snapshot of Six Flags' liquidity. Notably, there is a general degradation in their liquidity position over the past few years in both the current and quick ratio. In addition, these ratios are below the industry.

	Current	Trend	Industry
Current Ratio	0.657		0.765
Quick Ratio	0.536		0.684

Efficiency:

Listed below if a snapshot of Six Flags' liquidity ratios. Notably, in every category besides days in accounts payable, Six Flags is much higher than the industry. In addition, their average days in receivables is rising rapidly.

	Current	Trend	Industry
Average Days in Accounts Receivable	31		30
Average Days in Accounts Payables	99		166
Average Days Fixed Assets	336		295
Average Days in Total Assets	676		505

Debt:

Listed Below are a snapshot of Six Flags' debt position. Again, due to their negative equity, their debt ratio yields negative results. However, their long-term debt ratio has been rising over the past few years and is now well above the industry average. Furthermore, while their TIE ratio has remained constant, it is still well below the industry.

	Current	Trend	Industry
Debt Ratio	-4.10		3.81
LTD/TA	0.82		0.53
Times Interest Earned	4.84		8.53

External Funds Needed

The pro-forma balance sheet, operating under the general assumption of assets growing with sales and constant debt/equity, the company will need $388 million in additional funds over the next five years. However, the company currently has $350 million of an unused revolver, bringing this total down to $38 million in additional long-term debt needed to fund their operations. While the company has some flexibility with $51 million in projected cash, it is most likely they continue to be debt reliant to fund their ongoing operations.

Investment Overview

The first model I used to calculate the price of the stock was the price-ratio model. Using the one year projected net income, sales, and cash flows, as well as the average industry price ratios of these figures, I calculated a share price of $49.24 (currently trading at $50.32). The model also assumed the long-run growth rate of 1.3% projected from IBISWorld. This model is a bit unusual given that the net income price ratio yields a highly undervalued stock, while the sales and cash flow yield an overvalued stock. As such, I don't put much weight into this estimation.

The second model used to estimate the share price was the dividend-discount model. Given Six Flag's consistent and growing dividend, this model should provide a decent indication of the stock price. The model yielded a stock price of $47.41, slightly below the current price of $50.32.

The final model used to estimate the share price was the DCF model. Given that the model requires the WACC calculations, I will provide some of my assumptions regarding the inputs. For starters, I assumed the 5-year Treasury rate as the risk-free rate given the investment horizon. Secondly, the required return of the industry was calculated as the park-weighted stock returns over the past year with equivalent weight on the market beta of each of the competitors. The projected cash flow assumptions are outlined in the spreadsheet. Utilizing the assumption yielded a WACC of 6.22% and a stock price of $42.23. The sensitivity analysis, varying the WACC and long-run growth rate (assumed as IBISWorld's estimate for the industry) is listed below. Notably, unless the company benefits from a long-run growth rate higher than the industry projections or can lower their WACC to a very low rate, the stock is not worth its current market price.

$ 42.23	5.50%	5.75%	6.00%	**6.22%**	6.25%	6.50%	6.75%	7.00%	7.25%	8.50%	9.00%
0.25%	$ 40.01	$ 36.57	$ 33.43	$ 33.43	$ 30.55	$ 27.90	$ 25.45	$ 23.19	$ 21.09	$ 12.49	$ 9.74
0.50%	$ 43.11	$ 39.36	$ 35.95	$ 35.95	$ 32.84	$ 29.98	$ 27.36	$ 24.94	$ 22.70	$ 13.59	$ 10.70
0.75%	$ 46.52	$ 42.42	$ 38.70	$ 38.70	$ 35.33	$ 32.25	$ 29.42	$ 26.83	$ 24.43	$ 14.76	$ 11.71
1.00%	$ 50.32	$ 45.80	$ 41.74	$ 41.74	$ 38.06	$ 34.72	$ 31.67	$ 28.87	$ 26.30	$ 16.01	$ 12.79
1.25%	$ 54.56	$ 49.56	$ 45.09	$ 45.09	$ 41.06	$ 37.42	$ 34.11	$ 31.09	$ 28.32	$ 17.34	$ 13.94
1.30%	$ 54.56	$ 49.56	$ 45.09	**$ 45.09**	$ 41.06	$ 37.42	$ 34.11	$ 31.09	$ 28.32	$ 17.34	$ 13.94
1.50%	$ 59.33	$ 53.76	$ 48.81	$ 48.81	$ 44.38	$ 40.40	$ 36.79	$ 33.52	$ 30.52	$ 18.77	$ 15.17
1.75%	$ 64.74	$ 58.49	$ 52.98	$ 52.98	$ 48.07	$ 43.69	$ 39.74	$ 36.17	$ 32.93	$ 20.31	$ 16.48
2.00%	$ 70.92	$ 63.85	$ 57.66	$ 57.66	$ 52.20	$ 47.34	$ 43.00	$ 39.09	$ 35.56	$ 21.96	$ 17.88
2.25%	$ 78.05	$ 69.97	$ 62.96	$ 62.96	$ 56.84	$ 51.43	$ 46.62	$ 42.32	$ 38.45	$ 23.74	$ 19.39
2.50%	$ 86.37	$ 77.03	$ 69.03	$ 69.03	$ 62.09	$ 56.02	$ 50.67	$ 45.91	$ 41.65	$ 25.68	$ 21.01

Overall, while Six Flags' capacity to expand into other markets is compelling, they are still seeming recovering from filing for Chapter 11 bankruptcy. The company remains highly levered, with ratios at or below the industry. The industry is expected to grow at a modest pace, with very little capacity to expand in a short time frame. While Six Flags will remain a major player in the industry for the indefinite future, the lack of growth potential in the industry makes them a poor investment. In addition, current stock evaluation indicates that their market price is overvalued. As such, the company is not a buy, and will remain so into the indefinite future

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Appendix

(Excel sheets submitted separately with past 3-5 years financial statements of company, calculations of Financial ratios, DuPont ratio analysis; Projected Financial Statements, EFN calculation, and stock valuation methods used with calculations for estimated stock price)