Six Flags Case Analyst

All of your names

East Carolina University

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**NAICS/SIC**

NAICS stands for North American Industrial Classification System. These specific codes are used by the government and businesses to classify different organizations by a certain type of economic activity. Each organized business is classified into an industry according to the primary actions taken place. The NAICS code for Six Flags is 71311 (U.S. Census Bureau, 2012). According to the United States Census Bureau 713110 are Amusement and Theme Parks. The definition of the code is stated as, “This industry comprises establishments, known as amusement or theme parks, primarily engaged in operating a variety of attractions, such as mechanical rides, water rides, games, shows, theme exhibits, refreshment stands, and picnic grounds. These establishments may lease space to others on a concession basis” (U.S. Census Bureau, 2012). There are several other NAICS codes associated with Six Flags: 713990, operating mechanical or water rides on a concession basis in amusement parks, fairs, and carnivals or in operating a single attraction, such as a waterslide; 72251, operating refreshment stands on a concession basis; 713990, supplying and servicing coin-operated amusement (except gambling) devices in places of business operated by others; 713290, supplying and servicing coin-operated gambling devices (e.g. slot machines) in places of business operated by others; 7113, organizing, promoting, and/or managing events, such as carnivals and fairs with or without facilities (U.S. Census Bureau, 2012). Standard Industrial Classification (SIC) is another code used by the government and businesses to classify industry areas. The SIC code is only a four digit code. Six Flags SIC code is 7990 (U.S. Census Bureau, 2012). These codes are mostly based on similarities within industries.

**Mission Statement**

The mission statement is the reason for existence for the company. It answers the question, why they exist and is based in present terms. The mission statement consists of two important aspects- Products and/or services offered and the Target Market. Both consist of three groups that meet the needs of customers, meet the needs of employees, and meet the needs of investors. Each organization needs a strategy to fit their situation and every mission statement should guide the activities of the organization. According to their website, the Six Flags Inc. mission statement is the following:

Today, Six Flags has dedicated itself to setting the standard for theme park entertainment. Our 18 theme, water and zoological parks across North America are better than ever, offering today's families and teens a complete one-stop diversified entertainment destination, from industry-leading thrill rides to water attractions, themed areas, children's areas, parades, concerts and shows, restaurants, games and merchandise outlets. Our licensing agreement with DC Comics and Warner Bros. Consumer Products allows Six Flags the exclusive theme park rights to many of the world's greatest cartoon characters and super heroes, from Bugs Bunny and his Looney Tunes friends to DC Comics Super Heroes Batman, Robin, The Green Lantern, Wonder Woman and The Flash, enabling Six Flags to offer our 26 million guests a full character program, including character meet and greets, meals, photograph and autograph opportunities and new retail options. As the largest regional theme park in the world, Six Flags looks forward to continuing to provide families and guests of all ages with the best and most diverse entertainment experience they can find close to home (Six Flags, 2013).

This mission statement recognizes the needs of the customers but lacks the ability to establish guidelines for employees and shareholders. There are many resources influencing the needs of employees, i.e. things like creating a healthy, friendly, and fun work environment while providing employee benefits. The needs of the shareholders include receiving returns and gains on their investments through stock pricing and dividends.

**Enterprise Strategy**

There is no Enterprise Strategy for Six Flags Entertainment Corporation.

**Corporate Level Strategy**

Six Flags Entertainment Corporation competes in the amusement park and entertainment niche. Within this niche, they provide multiple levels of entertainment such as amusement park rides, water parks, themed areas, concerts and shows, restaurants, game venues, retail outlets (Marketline, 2012). Six Flags also uses the business level strategy of niche differentiation, which means that they work within a specific and small niche and offer some sort of “uniqueness” to the customer; it has a certain level of value and the customer is willing to pay for this “uniqueness”.

Six Flags Entertainment Corporation has built themselves into one of the largest Amusement and Entertainment juggernauts within the industry. The way in which they have done this is the strategic advantage of operating regionally throughout the United States and also in two different counties bordering the United States. What Six Flags has done is to open eighteen venues, some being in the same locations, for customers to choose from. With this strategy, it allows the customers to have many different options as to which parks they might chose to attend and what they might do at these parks. For example, citizens in Los Angeles can choose from either the Six Flags Magic Mountain venue or the Six Flags Hurricane Harbor venue, which are at the same location.

This is specifically different from one of Six Flag’s biggest rival, Walt Disney. Walt Disney has three locations in the United States. They have two in California, Disneyland and California Adventure, which opened in the year 2001. They also have their largest attractions, which Disneyworld in Florida. For Customers, it takes much more planning to visit one of Walt Disney’s parks than it does to visit a Six Flag park, which is located all around the United States and one in both Mexico and Canada.

The overall strategic posture or intent of Six Flags is to ultimately get bigger. The offensive strategies that the company is imploring is the Concentration strategy. Six Flags uses three different methods under the concentration strategy. First off, they use the method known as Product Development. Product Development is selling a new product in the same market. Each region that Six Flags is in is deemed a market. For example, in the Los Angeles market, Magic Mountain is the amusement park full of roller coasters, games, and venues. In the same market, Six Flags decided to enter a water park, which is now the Hurricane Harbor. The second method that the company uses is known as Market Development. Market Development is selling the same product of the company in a new market. As said previously, a region that Six Flags is in is known as a market. So when Six Flags builds a park in a new location that becomes a new market. For example, when Six Flags over Georgia became the second park in 1967, the Georgia market became a new market when Six Flags was selling its entertainment services.(Morgan) The third method that Six Flags uses is Market Penetration. This method is known for selling more of the same product in the same market through the means of more advertising or lowering the price of the product or service. Six Flags continues to sell their entertainment and thrill ride services and products to the same market but looks to offer the customers new prices for group ventures and/or season passes. They also have been building new rides in different parks to increase the level of attraction to that Six Flag location. For example, Six Flags Magic Mountain will be receiving a world-record breaking roller coaster known as Full Throttle. Full Throttle is the tallest, fastest looping roller coaster in the world that includes features such as a 160 foot loop and two zero-70 miles-per-hour accelerations.(Flags, 2012)

Another offensive strategy that Six Flags is using would be horizontal integration. Six Flags believe that through acquisitions and joint ventures with other companies, their assets and other strategic initiatives can profitably expand the company and its overall towards growth and brand.(SEC, 2012)

Although their primary attitude is to get bigger, they feel as if they need to get smaller in some areas, such as their lowest revenue making venues. This strategy is known as Divestiture. Six Flags has been divesting areas resulting in low or negative revenue. One example is the recent discontinuation of their Louisville and New Orleans parks.(SEC, 2012)

The organizational structure for this Six Flags Entertainment Company is the SBU/Advanced Structure. In this type of structure, each SBU is headed by a group of executives different from the others and these executives report to the head of corporate. The company also has the overall ability to buy or sell off different divisions. Each division operates as an independent profit center with their own profit/loss responsibility and they are all organized internally. One of the largest advantages of using this type of structure is that it facilitates the complex set of operations used in running an amusement and entertainment park. It significantly reduces the overload of information and allows the process of communication within the company to grow and expand. Whether the communication does grow and expand is left up to the division heads.(Thompson, Peteraf, Gamble & Strickland, 2012)

**Business Strategy Level**

Six Flags primary line of business is serving customers through their 18 amusement and theme parks. Six Flags accomplishes this primary line of business by offering ride and roller coaster venues in each park. The secondary activities that are incorporated in the amusement and theme park segments include: Zoological parks, Thrill rides, Water attractions, Themed areas, Concerts and shows, Restaurants, Game venues, and Retail outlets (Marketline, 2012).

Within the amusement and theme park industry, Six Flags compete head on among four major players. The companies Six Flags directly competes with consist of: The Walt Disney Company (36.2%), Universal Parks & Resorts (17.3%), Sea World Parks & Entertainment (11%), and Cedar Fair LP (8.2%) (IBIS World, 1999-2003). The percentages above represent that market share that each firm has in the amusement and theme park industry. Due to the low amount of competitors, Six Flags must separate themselves and establish a competitive advantage in an industry that already has high barriers to entry.

Six Flags business level strategy is niche differentiation in which they offer specific customers value through a service that cannot be easily duplicated or copied. Also the service produced must meet the needs of the consumers because they are looking for something specific and are not readily available. This information is backed up through IBIS, in that the supply chain of the amusement and theme park industry primarily consists of the NAICS code 9901, “Consumers in the US” (IBIS World, 1999-2003). Furthermore, the business level strategy is considered niche due to the demographics that are naturally apart of this industry. According to IBIS, 32% of consumers among the industry are younger than the age of 18. This statistic shows that a generic target market that is geared towards younger people. Therefore, the strategy implemented in Six Flags Corporation must appeal to younger people and Six Flags must be able to successfully promote and implement marketing strategies that will draw in these young consumers. To do this, Six Flags approaches targeting younger individuals with their heavy advertising and promotion methods.

The four P’s of Six Flags consist of their product, place, price, and promotion. The product Six Flags offers to its customers are amusement and theme parks. This is their primary service and serves Six Flags their business model. To implement a successful business model, Six Flags offers advantages and benefits to the end consumer with a quality product that the customer sees as satisfying. Furthermore, this is backed up in the fact that Six Flags is the largest regional theme park in the world. With respect to the profit formula within the business model, Six Flags approaches a cost structure based on marketing and the use of admission sales as their primary source of revenue. Six Flags aggressive use of marketing and promotion to generate the maximum revenue has been extremely successful. IBIS states that approximately 54% of revenue comes ticket sales and admission fees. The second “P”, the place consists of Six Flag’s 16 amusement parks located throughout the United States, and the other two locations being in Mexico and Canada. Furthermore, customers cannot obtain Six Flag’s product readily because the service is more specialized. Six Flags has implemented a geographic strategy to obtain the greatest amount of consumers within various regions of the United States, Mexico, and Canada. Third, pricing in this firm is price sensitive in the fact that obtaining this service comes from discretionary income and the service is not essential, it is there more as a leisure activity. Therefore, the amusement park industry is easily affected by the economy which tells us this industry is procyclical. The promotion that Six Flags incorporates consists mostly of online, season pass penetration strategy in which they offer customers season passes for a discounted price as opposed to a one-time day pass. This strategy also is part of their pricing mix in which they use promotion and pricing to meet the needs of consumers, while maximizing their potential revenue. The effectiveness of their marketing strategy is proven in their 10K report in which Six Flags states “Group sales represented approximately 25%, and 28%, respectively, of the aggregate attendance in the 2012 and 2011 seasons at our parks” (SEC, 2012).

**Functional Level Strategy**

Six Flags operates numerous amusement parks that each has their own functional areas. Due to this fact, Six Flags operates an advanced divisional strategy in which each region of Six Flags has its own various and essential functional areas. These will be discussed in further detail below, however the areas primarily consist of: Human Resources, Management, Marketing, Maintenance, Research and Development.

Human Resources

The Human Resource department plays a vital role in recruiting and obtaining individuals working at any given Six Flags amusement parks. First, due to the nature of the industry, amusement and theme parks have a seasonal operating time and therefore have a high turnover rate. Typically, Six Flag states that the majority of revenue for their parks comes from Memorial Day till Labor Day. Due to this, Human Resources must hire workers that are part-time and flexible in their work schedule. The nature of the majority of the hiring done in this department sets the wage for their workers at minimum wage.

**Management**

According to Six Flags 10K report, within Park Operations, “Each park president directs a full-time, on-site management team. Each management team includes senior personnel responsible for operations and maintenance, in-park food, beverage, merchandising and games, marketing and promotion, sponsorships, human resources and finance” (SEC, 2012). This use of individual management teams further enhances Six Flags view of using an advanced divisional hierarchy strategy.

Marketing

As stated previously, Six Flags must use an aggressive marketing strategy to reach out to their target market. Six Flags has discussed their marketing expenses within the 10K report “At December 31, 2012 and 2011, we had $1.4 million and $1.9 million in prepaid advertising, respectively” (SEC, 2012). Furthermore, Six Flags has shown that advertising and promotions expense accounted for $61.5 million in 2012 and $62.5 million in 2011 (SEC, 2012). The marketing strategy has been successful in the fact that per capita guest spending increased from $39.33 in 2011 to $39.41 in 2012, an increase of eight cents per person attending Six Flags amusement parks (SEC, 2012).

Maintenance

In order to operate 18 successful amusement and theme parks, Six Flags must incorporate a team that keeps up with housekeeping items, and general maintenance of each individual park. The majority of the maintenance expenses come via inspections and repair for any given ride or coaster. Inspections must be made daily to ensure a safe and quality experience for each customer that comes to any given Six Flags park. With a total of 800 rides and 120 roller coasters, Six Flags spent $22.4 million in 2011 and $23 million for spare parts inventory and general maintenance/repair work (SEC, 2012).

Research and Development

Six Flags Research and Development is extremely concentrated in developing new rides and attractions throughout their amusement parks. To successfully attract repeat and new customers, Six Flags spends 9% of their revenue on capital investments (SEC, 2012). This statistic shows Six Flags relentless pursuit in obtaining their growth strategy as discussed in their corporate level strategy. Furthermore, Six Flags innovation strategy has been projected to their investors in a recent presentation. Of the 9% revenue used towards capital investments, 60% goes towards new rides and attractions, 25% to asset maintenance, and the remaining 15% to in-park developments (Six Flags, 2013). Six Flags Research and Development area allows them to successfully obtain a competitive advantage and maintaining their status as the industry’s largest regional theme park in the world.

**Industry Analysis**

According to IBIS World, the industry is classified as amusement and theme parks. Companies operate mechanical rides, water rides, games, shows, themed exhibits, refreshment stands and other attractions. There are four key economic driving forces. These forces include Domestic trips by US residents, consumer spending; time spent on leisure and sports, and inbounds trips by non-US residents. Domestic trips can be affected by a number of factors including fuel costs for cars and airlines. Consumer spending levels always have a direct impact on travel demand and the amount of money people have available for leisure activities. When consumers have more money to spend they are more likely to spend their money on activities such as amusement parks. Supply industries include advertising agencies, beer wholesaling, confectionery wholesaling, food service contractors, hotels & motels, musical groups and artists, and vending machine operators. Other industries closely related to amusement parks include arcade, food and entertainment complexes, lotteries and Native American casinos, golf driving ranges and family fun centers, concert and event promotion, coffee and snack shops. Competition in this industry is tough due the major competitors. These major players include The Walt Disney Company, Universal parks and Resorts, SeaWorld Parks and Entertainment, and Cedar Fair LP. The market share of the industry is as followed, The Walt Disney Company holds 36.2%, Universal Parks and Entertainment holds 17.3%, SeaWorld Parks and Entertainment holds 11.0%, Cedar Fair LP holds 8.2% and Six Flags Inc. holds 8.2% (IBIS World, 1999-2003).The industry is Mature and holds several high barriers to entry, meaning that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry. Due to several factors the industry is not very attractive. Along with a mature life cycle stage the revenue volatility is medium but the competition level is high. During the recession of 2009, revenue declined by 5.5% and attendance dropped significantly. Financially, the company took a scare during the recession but since then revenue has had constant growth since 2010 and 2011 growing 5.2% the first year and 3.6% the second year. According to IBIS World, the industry is expected to grow at a rate of 1.8% annually over the next five years. This includes a 2.9% increase to $13.0 billion in 2012 (IBIS World, 1999-2003).

**SWOT Analysis**

|  |  |
| --- | --- |
| Strengths   * Strong Financial Position-Corporate, Finance * Loyal Customers- Business, HR * Strong Management- Corporate, Management * Increased Online Presence- Business, IT and Marketing * Reputation-Corporate and Business, Management and Marketing * Strong Pricing Strategy(Penetration)-Corporate, Finance * Many Areas of Entertainment-Operational, Marketing and Management * High ROE-Corporate, Finance * Strong Current Ratio(4.2)-Corporate, Finance | Weaknesses   * Weak Customer Service-Operational, HR * Low Capacity Operation-Business, Management * Cleanliness-Operational, HR * Weak Communication-Functional, Management * Weak Inventory Turnover-Business, Finance * Fluctuating Pricing-Business, Management * Weak ROI-Corporate, Finance |
| Opportunities   * Rival Parks Closing-Sociocultural * Good Weather for Peak Seasons-Economic * Economy Improves-Economic * Fuel Prices Decrease-Economic * Food and Beverage Prices-Economic * New Form of Marketing Technology-Economic * Invention | Threats   * Bad Weather for Peak Seasons-Economic * Lack of Disposable Income-Business Operations * Rival Parks-Sociocultural * Other Vacation Options-Sociocultural * Park Accident(From ride derailing to Electrical Power-Outage)-Work Force |

**Central Problem**

The Central Problem is Six Flag’s Functional level management’s inability to meet the safety requirements set up by the Occupational Safety & Health Administration, which results in citizen injuries and lawsuits against the company.

The ongoing problem that our group has decided to work on involves Six Flag’s lack of responsibility and safety for the citizens that use each location. Throughout our research on the company, we kept stumbling upon lawsuits, which then sparked our interest on why these problems occurred in the first place and why there are lawsuits filed against the company. It is common sense that amusement and entertainment parks can be dangerous and it is each company’s responsibility to ensure the safety of every citizen. This does not seem to be so evident with Six Flags Entertainment Company.

For example, in 2007, a thirteen year old girl was injured while riding one of the roller coasters. Her name was Kaitlyn Lassiter. Her injuries were caused by a cable that broke loose and severed both of her feet while riding the roller coaster. About a year later, officials announced that the severity of her injuries could have been greatly decreased “had the operator immediately hit the emergency stop button on the ride”, along with the accident being avoided all-together if operational maintenance has read the ride’s manual’s instructions on cable deterioration (Cole 2008). At this time, the amusement park was fined $1,000, which was the maximum allowed amount of money at the time. The family decided to settle for an undisclosed amount of money because the case would have taken up to five years.

A more recent example is of Clint Bench, a man born without hands, who says he has previously been to the same Six Flag locations multiple times, but was told he could no longer ride the Aquaman Splashdown water park ride because of his disability. Bench “went to guest services and tried to talk to someone at Six Flags, but he’s never even gotten an apology” (Doost, 2013) Bench is now filing a lawsuit against Six Flags for violation of the Americans with Disabilities Act. At this time, there are no comments on the lawsuit and which way it has gone because the lawsuit is pending at the very moment.

These lawsuits relate back to the functional level of the SBU/Advanced Structure of the company. Each location for Six Flags has its own functional areas, which include maintenance and safety. As a result, this problem stems from the lack of detail given to the area maintenance and safety from corporate. The lawsuits and safety hazardous has created an adverse impact on Six Flags reputation and will require a strategy developed upper management.

**Solution**

Given the problems that were stated above, our group has decided that Six Flags needs to allocate more time and funds to the training of the maintenance and operators of each and every park. We understand that with our current structure in place, that each park is one in its own, essentially. Corporate needs to take it upon themselves to demand that each division allocate these funds and time. The total profit from the fiscal year of 2012 was roughly $500 million. We all agree that they should allocate from this profit, $100,000 to each of the eighteen parks to set up an advanced training program for the employees, including park ground maintenance and ride maintenance. This would come out to roughly 1$.8 million. With roughly half a billion in profit, we agree that $1.8 million dollars is feasible. If corporate does not want to allocate 1.8 million from the 500 million profit, then we suggest they increase park rates by $4. There are 26 million guests that attend Six Flags per year. Increasing by $4 would generate $104 million dollars in cap space. This would cover the costs of the advanced training program, along with a detailed inspection and ‘tune-up’ to any ride that needs it. It has been clearly stated that the reasons for the injuries and the overall knowledge of the park and rides are not up to OSHA standards and that they need to be improved upon to reduce the likelihood of any significant injuries or violations occurring again.

One risk that the company would experience if they implemented the $4 increase in ticket fees, would be a possible decrease in park visitors. Each visitor uses the money to visit the parks as ‘discretionary income’. With a $4 increase, they might decide to take their vacations somewhere else, which would affect Six Flag’s revenue. Another risk the company would experience if they implemented the advanced training program, is that employees may become disgruntled and leave the company. This puts Six Flags in a mind because that location would have to higher someone completely brand new, and spend more money training them form the bottom-up.

**Proformas**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Income Statement** | |  |  | |  |  |  | |  |  |  | |
|  | |  |  | |  |  |  | |  |  |  | |
| Report Date | | 12/31/2009 | 12/31/2010 | | 12/31/2011 | 12/31/2012 | 12/31/2013 | | 12/31/2014 | 12/31/2015 | 12/31/2016 | |
| Theme parks admissions | | 489,482,000 | 452,189,000 | | 541,744,000 | 576,708,000 | 585,819,986 | | 595,075,941 | 604,478,141 | 614,028,896 | |
| Theme park food, merchandise & other revenue | | 380,998,000 | 348,552,000 | | 413,844,000 | 437,382,000 | 444,292,635 | | 451,312,458 | 458,443,195 | 465,686,598 | |
| Sponsorship, licensing & other fees | | 42,381,000 | 37,877,000 | | 42,380,000 | 39,977,000 | 40,608,636 | | 41,250,252 | 41,902,006 | 42,564,058 | |
| Accommodations revenue | | - | 9,194,000 | | 15,206,000 | 16,265,000 | 16,521,987 | | 16,783,034 | 17,048,206 | 17,317,568 | |
| Total revenues | | 912,861,000 | 847,812,000 | | 1,013,174,000 | 1,070,332,000 | 1,087,243,246 | | 1,104,421,689 | 1,121,871,552 | 1,139,597,122 | |
| Operating expenses | | 425,367,000 | 292,550,000 | | 397,874,000 | 411,679,000 | 418,183,528 | | 424,790,827 | 431,502,522 | 438,320,262 | |
| Selling, general & administrative expenses | | 196,874,000 | 142,079,000 | | 215,059,000 | 225,875,000 | 229,443,825 | | 233,069,037 | 236,751,528 | 240,492,202 | |
| Costs of products sold | | 76,907,000 | 66,965,000 | | 77,286,000 | 80,169,000 | 81,435,670 | | 82,722,353 | 84,029,366 | 85,357,030 | |
| Depreciation | | 144,919,000 | 106,315,000 | | 150,952,000 | 132,397,000 | 134,488,872 | | 136,613,796 | 138,772,294 | 140,964,896 | |
| Amortization | | 972,000 | 12,034,000 | | 18,047,000 | 15,648,000 | 15,895,238 | | 16,146,382 | 16,401,495 | 16,660,639 | |
| Gain (loss) on disposal of assets | | -12,361,000 | -11,727,000 | | -7,615,000 | -8,105,000 | -8,233,059 | | -8,363,141 | -8,495,278 | -8,629,504 | |
| Gain (loss) on sale of investee | | - | - | | - | 67,319,000 |  | |  |  |  | |
| Interest expense | | 106,313,000 | 54,455,000 | | 66,214,000 | 47,444,000 | 48,193,615 | | 48,955,074 | 51,794,468 | 54,798,547 | |
| Interest income | | 878,000 | 613,000 | | 997,000 | 820,000 | 832,956 | | 846,116 | 859,485 | 873,065 | |
| Equity in operations of partnership | | 3,122,000 | - | | - | - |  | |  |  |  | |
| Equity in income (loss) of investees | | - | -1,372,000 | | -3,111,000 | -2,222,000 | -2,257,107 | | -2,292,769 | -2,328,995 | -2,365,793 | |
| Gain (loss) on early repurchase of debt | | - | -18,493,000 | | -46,520,000 | -587,000 | -596,274 | | -605,696 | -615,265 | -624,986 | |
| Other income (expense), net | | -17,304,000 | -956,000 | | -73,000 | -612,000 | -621,669 | | -631,491 | -641,468 | -651,604 | |
| Restructure costs | | - | 37,417,000 | | 25,086,000 | -47,000 | -47,742 | | -48,496 | -49,262 | -50,040 | |
| Income (loss) from continuing operations before reorganization items, income taxes & discontinued operations | | -64,156,000 | 104,062,000 | | 6,334,000 | 213,780,000 | 217,157,724 | | 220,588,816 | 224,074,119 | 227,614,490 | |
| Reorganization items, net | | 138,864,000 | 7,479,000 | | 2,455,000 | 2,168,000 | 2,202,254 | | 2,237,049 | 2,272,394 | 2,308,298 | |
| Income (loss) from continuing operations before income taxes & discontinued operations | | -203,020,000 | 96,583,000 | | 3,879,000 | 211,612,000 | 214,955,469 | | 218,351,765 | 221,801,723 | 225,306,190 | |
| Current foreign income taxes | | 3,440,000 | 2,088,000 | | 6,716,000 | 6,281,000 | 6,380,239 | | 6,481,046 | 6,583,447 | 6,687,465 | |
| Current state & local income taxes | | 1,112,000 | 1,078,000 | | -80,000 | 3,732,000 | 3,790,965 | | 3,850,862 | 3,911,705 | 3,973,510 | |
| Total current income taxes | | 4,552,000 | 3,166,000 | | 6,636,000 | 10,013,000 | 10,593,754 | | 10,761,135 | 10,931,161 | 11,103,873 | |
| Deferred U.S. federal income taxes | | -1,211,000 | 7,716,000 | | -13,063,000 | -165,504,000 | -168,118,963 | | -170,775,242 | -173,473,491 | -176,214,372 | |
| Deferred foreign income taxes | | 777,000 | 712,000 | | -599,000 | 1,181,000 | 1,249,498 | | 1,269,240 | 1,289,294 | 1,309,664 | |
| Deferred state & local income taxes | | -1,216,000 | -417,000 | | -1,039,000 | -17,918,000 | -18,201,104 | | -18,488,681 | -18,780,802 | -19,077,539 | |
| Total deferred income taxes | | -1,650,000 | 8,011,000 | | -14,701,000 | -182,241,000 | -192,810,978 | | -203,994,014 | -215,825,667 | -228,343,556 | |
| Income tax expense (benefit) | | 2,902,000 | 11,177,000 | | -8,065,000 | -172,228,000 | -174,949,202 | | -177,713,399 | -180,521,271 | -183,373,507 | |
| Income (loss) from continuing operations before discontinued operations | | -205,922,000 | 85,406,000 | | 11,944,000 | 383,840,000 | 406,102,720 | | 412,519,143 | 419,036,945 | 425,657,729 | |
| Discontinued operations | | 11,827,000 | - | | - | - |  | |  |  |  | |
| Income (loss) from discontinued operations | | - | -565,000 | | 1,201,000 | 7,273,000 | 7,694,834 | | 7,816,412 | 7,939,911 | 8,065,362 | |
| Net income (loss) | | -194,095,000 | 84,841,000 | | 13,145,000 | 391,113,000 | 397,292,585 | | 403,569,807 | 409,946,210 | 416,423,360 | |
| Less: net income (loss) attributable to noncontrolling interests | | -35,072,000 | -34,788,000 | | -35,805,000 | -37,104,000 | -37,690,243 | | -38,285,748 | -38,890,663 | -39,505,136 | |
| Net income (loss) attributable to Six Flags Entertainment Corporation | | -229,167,000 | 50,053,000 | | -22,660,000 | 354,009,000 | 359,602,342 | | 365,384,059 | 371,055,547 | 376,918,224 | |
| Preferred stock dividends | | 16,342,000 | - | | - | - |  | |  |  |  | |
| Net income (loss) applicable to Six Flags Entertainment Corporation common stockholders | | -245,509,000 | 50,053,000 | | -22,660,000 | 354,009,000 | 359,602,342 | | 365,284,059 | 371,055,547 | 376,918,225 | |
| Weighted average shares outstanding - basic | | 195,440,000 | 55,300,000 | | 55,075,000 | 53,842,000 | 54,692,703 | | 55,556,848 | 56,434,646 | 57,326,313 | |
| Weighted average shares outstanding - diluted | | 195,440,000 | 55,300,000 | | 55,075,000 | 55,468,000 | 56,344,394 | | 57,234,635 | 58,138,943 | 59,057,538 | |
| Year end shares outstanding | | 196,651,872 | 55,728,218 | | 54,641,885 | 53,818,762 | 54,669,098 | | 55,532,870 | 56,410,289 | 57,301,572 | |
| Income (loss) per share from continuing operations – basic | | -1.315 | 0.915 | | -0.43 | 6.44 |  | |  |  |  | |
| Income (loss) per share - discontinued operations – basic | | 0.06 | -0.01 | | 0.02 | 0.13 |  | |  |  |  | |
| Net income (loss) per share – basic | | -1.255 | 0.905 | | -0.41 | 6.57 |  | |  |  |  | |
| Income (loss) per share from continuing operations – diluted | | -1.315 | 0.915 | | -0.43 | 6.25 |  | |  |  |  | |
| Income (loss) per share - discontinued operations – diluted | | 0.06 | -0.01 | | 0.02 | 0.13 |  | |  |  |  | |
| Net income (loss) per share – diluted | | -1.255 | 0.905 | | -0.41 | 6.38 |  | |  |  |  | |
| Dividends per common share | | - | - | | 0.18 | 2.7 |  | |  |  |  | |
| Number of full time employees | | 2,080 | 1,900 | | 1,900 | 1,900 |  | |  |  |  | |
| Number of seasonal employees | | 28,500 | 28,000 | | 2,700 | 39,000 |  | |  |  |  | |
| Total number of employees | | 30,580 | - | | - | - |  | |  |  |  | |
| Number of stockholders | | 1,237 | 213 | | 82 | 63 |  | |  |  |  | |
| **Financial Ratios (2012)** | | | **Six Flags Inc. (2012)** | | | | **Industry Average (2012)** | | | |
| *Profitability Ratios* | | |  | | | |  | | | |
| ROA % (NET) | | | 12.38 | | | | 6.34 | | | |
| ROE % (NET) | | | 42.65 | | | | 14.77 | | | |
| ROI % (Operating) | | | 10.15 | | | | 15.59 | | | |
| EBITDA Margin | | | 36.7 | | | | 30.34 | | | |
| *Liquidity Ratios* | | |  | | | |  | | | |
| Quick Ratio | | | 3.58 | | | | 0.71 | | | |
| Current Ratio | | | 4.2 | | | | 1.04 | | | |
| Net Current Assets % (TA) | | | 19.03 | | | | 0.67 | | | |
| *Debt Management* | | |  | | | |  | | | |
| LT Debt to Equity | | | 1.57 | | | | 0.28 | | | |
| Total Debt to Equity | | | 1.57 | | | | 0.37 | | | |
| Interest Coverage | | | 4.39 | | | | 12.89 | | | |
| *Asset Management* | | |  | | | |  | | | |
| Total Asset Turnover | | | 0.34 | | | | 0.55 | | | |
| Receivables Turnover | | | 44.49 | | | | 44.63 | | | |
| Inventory Turnover | | | 3.71 | | | | 22.51 | | | |
| Property, Plant, Equipment T | | | 0.84 | | | | 1.37 | | | |
| *Per Share* | | |  | | | |  | | | |
| Cash Flow Per Share | | | 6.38 | | | | 4.79 | | | |
| Book Value Per Share | | | 16.58 | | | | 12.6 | | | |

Amusement and Theme Parks are slowing following a positive trend in growth after the recession that hit in 2009 (IBIS World, 1999-2003). Due to the fact that amusement and theme parks rely heavily on admission and attendance sales, the economy is the main factor of force behind the growth. When the average person has more capital in their pocket to spend, chances are they are willing to spend money on leisure and personal activities (IBIS World, 1999-2003). As we look towards the future, travel and consumer spending is suppose to increase into 2016 (IBIS World, 1999-2003). As stated by IBIS World, “Revenue will increase at an annualized rate of 2.4% to total $14.6 billion, with revenue forecasts to grow 2.8% to $13.4 billion in 2013 (IBIS World, 1999-2003). Based off IBIS World and several other outside sources our group has chosen an overall growth rate of 6.33% (IBIS World, 1999-2003). We’ve have extracted this number by reviewing the previous income statements and factoring in total revenue and net income from the past three years. After performing several calculations we came up with an average growth rate of 6.33% which we chose to use for the next four years. When breaking down an overall growth rate of 6.33% and dividing it by the number of years it was used we can see that there is annual growth rate of 1.58%. When reviewing the income statement for the future we are able to see an annual growth rate of 1.58% as well as an overall growth rate of 6.33%. We are very content with this growth rate because we have heavily researched all aspects that affect the growth of a company. Some other factors included in making this decision were based off IBIS World. According to IBIS World, “Travel spending is anticipated to increase as the economy improves during the next five years (IBIS World, 1999-2003). In 2013, overall domestic travel is anticipated to increase 1.6%, while international arrivals rise 5.1% (IBIS World, 1999-2003). IBIS World forecasts that domestic travel will increase at an average annual rate of 3.0%, while international trips into the United States increase 5.5% on average (IBIS World, 1999-2003). The industry will also benefit as unemployment rates decline, the economy improves and consumers being to spend money again, particularly on recreational activities (IBIS World, 1999-2003). Consumer spending is expected to increase 1.9% in 2013 and should increase at an annualized rate of 2.8% during the next five years” (IBIS World, 1999-2003).

After discussing the income statement we moved to the financial ratios. The first set of ratios consisted of profitability ratios. These ratios included return on total assets and return on stockholders’ equity. The return on assets for Six Flags was almost double the industry average at 12.38 compared to 6.34 (IBIS World, 1999-2003). The higher return on assets the better because it’s a measure of the return on total investment in the enterprise. Interest is added to after tax profits to form the numerators, since assets are financed by creditors as well as stockholders. The next profitability formula was return on stockholder’s equity. Six Flags ratio was 42.65 compared to the industry average of 14.77 (IBIS World, 1999-2003). Return on Stockholders’ equity shows the return stockholders are earning on their investment in the enterprise. A return between 12 to 15% is average and the trend should be upward (IBIS World, 1999-2003).

Next is the Liquidity Ratios which included the quick ratio and current ratio. Six Flags quick ratio was 3.58 compared to an industry average of 0.71 (IBIS World, 1999-2003). The quick ratio is an indicator of a company’s short term liquidity. It measures a company’s ability to meet its short term obligations with its most liquid assets. Six Flags quick ratio is higher than the industry average which is good because the higher the quick ratio the better position of the company. The current ratio shows a firm’s ability to pay current liabilities using assets that can be converted to cash in the near term. Six Flags current ratio was 4.2 which is excellent compared to an industry average of 1.04 (IBIS World, 1999-2003).

After the liquidity ratios comes the debt management ratios also known as leverage ratios. Six Flags long term debt to equity ratio is very high at 1.57 compared to an industry average of 0.28 (IBIS World, 1999-2003). Long-term debt to equity should usually be less than 1.0. A high ratio above 1.0 signals excessive debt, lower creditworthiness, and weaker balance sheet strength. After the liquidity ratios comes the activity ratios. These ratios include days of inventory, inventory turnover and average collection period. When analyzing total asset turnover Six Flags had a ratio of 0.34 compared to an industry average of 0.55 (IBIS World, 1999-2003). This ratio measures the ability of a company use its assets to efficiently generate sales. The lower the firm’s ratios the more sluggish their sales are said to be. In this case Six Flags ratio is worse compared to the industry average.

Last but not least are the per share ratios. These ratios are a measure of a firm’s financial strength. The first ratio analyzed was the cash flow per share. Some analysts believe that this ratio is more valued than earnings per share due to the fact that earnings per share can be altered to look better while cash is more difficult to alter. The cash flow per share ratio is believed to be the most accurate value of the strength and sustainability of a particular business model. Six Flags cash flow per share ratio was 6.38 compared to the industry average of 4.79 (IBIS World, 1999-2003). This formula represents the net cash a firm produces. The lower the stock’s price/cash flow ratio is, the better value the stock is, and therefore we can conclude that Six Flags is at a disadvantage when compared to the industry average (IBIS World, 1999-2003).

The last portion of financials will look at the stock prices for Six Flags vs. Disney, the market share leader. Disney’s closing stock price was 56.78 as of 3/22/13 (IBIS World, 1999-2003). The number of shareholders was 984,857 as of 9/29/2012 (IBIS World, 1999-2003). Six Flags closing stock price was 70.68 as of 3/22/2013 (IBIS World, 1999-2003). The number of shareholders is 63 (IBIS World, 1999-2003). Last but not least Cedar Fair’s stock price was 38.78 as of 3/22/13 (IBIS World, 1999-2003). The number of shareholders was 6,700 as of 1/31/2013 (IBIS World, 1999-2003). As we can see Six Flags has a very limited number of shareholders but a strong stock price compared to the industry.

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