Ralph Molina (Head of Investor Relations and Corporate Strategy)

Good afternoon, everyone. Welcome to Parks! America's First Quarter Fiscal Year 2025 Earnings Call. My name is Ralph Molina and I will be your operator for today's call. Today's call is being webcast and recorded.

Before we begin, I'd like to remind everyone that our comments today will contain forward-looking statements within the meaning of the federal securities laws. These statements may involve risks and uncertainties that could cause actual results to differ from those forward-looking statements. For a more detailed discussion of those risks, you may refer to the company's filings with the Securities and Exchange Commission. In addition, we may reference non-GAAP financial measures and other financial metrics on the call. More information regarding our forward-looking statements and reconciliations of non-GAAP measures to the most comparable GAAP measure is included in our Form 10-Q.

Last Friday, we filed our Quarterly Earnings Release and our 10-Q with the SEC. In our Quarterly Earnings Release, you will find summary information related to Year-to-Date Fiscal 2025 Segment Financial Results. We encourage all of our shareholders to read our complete 10-Q.

In a few moments, I will turn the call over to our President, Geoff Gannon, to answer any questions.

First, we will begin by responding to questions previously submitted via email.

Then, we will take any follow-up questions from live participants on today's call.

For those who would like to ask a follow-up question, you can use the "Raise Hand" feature at the bottom of your screen at any time to indicate that you have a question. When you are called on to ask a question, your line will be unmuted. When you are finished asking your question, please state that you have no further questions. Your line will be muted afterwards.

We will take as many questions as possible within a 30-minute window.

That concludes my instructions.

I will now turn the call over to Geoff Gannon for opening remarks.

Geoff Gannon (President)

I just wanted to update, same as I did in other quarters, that we're a highly seasonal business. Since I've come in, both advertising and sales have probably been lower than they might normally be, because our advertising expense has been lower than normal. That will probably change soon. But the quarter that we're talking about here is earlier for reporting than that change would happen.

Our season really starts in March. You should expect that once we start reporting March numbers, and from then on, you'll maybe see seasonally higher advertising and all of that.

Keep that in mind when looking at both advertising expense and possibly sales to the extent they're driven by advertising, might be a bit lower over this off-season than is normal. And that this should be the last quarter I tell you that.

That's it, Ralph. We can go to the questions.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

At this time, we will proceed to respond to questions previously submitted via email. If you have a follow-up question, please raise your hand and we will get back to you.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

First question.

"With the extra time managing the parks, can you comment on any meaningful trends: either confirming prior issues or possibly pointing to pathways to higher revenues moving into the 2025 season?"

Geoff Gannon (President)

I can comment on some things.

Marketing was a really big issue, and maybe even a bigger issue than I thought. We have a new agency that, I think, is really terrific and going to do a great job for us.

Because of seasonal issues, they have done their research and everything, but they haven't done a lot of implementing because it doesn't really make sense to do that outside of the season when people would come.

In the next few weeks or so, you're going to see new websites for some things. You might start to see within the next month after that, advertisements and things, if you happen to look for those things where the parks are. Most of our shareholders would be in places where they're not going to be served up ads, but if you are, then you might see new advertising campaigns and all that. I think that's important.

And then the other trend is Missouri. I think there's a lot of positive momentum in Missouri, which is purely due to who we have managing that, Pati, who's doing an amazing job there. Before coming in, I think that it would be hard to know from the outside what has caused that change, assuming that it's more external factors than just having a real big improvement in management.

So those are the two things that I'd say are different than what I expected. The marketing situation was a lot worse than I thought. And then Pati, in Missouri, was a lot more responsible for turning that around in a big way. Those are the two things.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

All right. Next question.

"You previously noted the appraisal of the Texas property. Do the asset values for the Georgia and Missouri parks also reflect a current appraisal? If not, can you indicate what those values are based on?"

Geoff Gannon (President)

Sure. So, we break out in the Quarterly Earnings Release a calculation of the assets at each segment less the cash that we have. And each segment is basically a park. Those are based on accounting values.

So no, those are not based on the appraisals. You don't, under GAAP, change the value of the land that you carry on the books for just because you've had an appraisal. That's different.

We have appraised all three properties, recently. That's because of purposes for financing, and to some extent, purposes for accounting purposes, for impairment testing.

But mainly for considering different financing options. And so with those, I'd say the biggest difference in dollar terms is Texas – the biggest difference between the carrying value that we have it on the books at and probably what the land would be worth, the appraisal value.

In terms of Georgia and Missouri? The answer there would just be COVID. There's been a lot of inflation since COVID in some things. For example, we actually have a ton of paved road in Missouri, so that would affect the appraised value a lot. I wouldn't say that should affect the like economic value – that someone's going to pay a ton more for road just because it's a lot more expensive to pave a road now than it was before COVID. So, there are things like that, like actual physical property, that have gone up a lot, in some cases purely due to inflation.

I think, in real terms, it hasn't really changed radically since 2020 or something. I think that it's just nominal terms, that it's changed.

But no, the relationship between what you see listed on the books and the appraised value – there's no relationship between those two things under GAAP. We don't restate those things just because they appraise differently. Things you own for a really long time eventually end up at values – their economic value, their appraisal values – that are way different than they're carried on the books for.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Thanks, Geoff.

Relating to assets and capital, we have a question asking if you could talk about the status on capex, particularly for the Georgia Park? Also, any anticipated capex for the other parks?

Geoff Gannon (President)

Okay, well, I have to be careful about that one. Quarterly, what we are reporting to you – most of those things are GAAP on accrual basis. But for capex, what you're seeing is the cash flow. A project has often been approved a long time before.

If you look at the big spend in Georgia this quarter, the final approval for that was given the week between when the annual meeting was and when I came in. So, we're talking like before mid-June, even early to mid-June. That was the final approval for something that you're only now seeing reported to you in capital spending, and that project is not over in terms of the capital spending. So, big projects can be a really long lag.

I don't want to get more exact on this, but I would say, you're going to see a lot of capex at Georgia for this fiscal year. And I would say at least 50% of that is due to one project. I don't want to get more precise than that.

If you see $1 million of capex, probably $500,000 of that is one single project. If it's $1.5 million, it's probably $750,000. Let's not get more precise than that. Because any more precise than that, we're basically giving you guidance.

Let's put it this way. It will drop probably 50% from what this year's capex is going to be to what like a maintenance level of capex is because we're not going to repeat that project.

We've said it before. It's a restroom project. Once you build that, you will not need to repeat that. We have Porta Potties right now in Georgia. We have for a while. That's being replaced by a permanent restroom. That's not something that needs to be replaced every year. It's a really big project. I don't envision a project like that happening anytime soon in any of the parks. But I can't know if something happens that we're not expecting. They weren't expecting there to be a tornado, right? So, you don't know.

There's no other project that I could think of that even rises to $100,000. The other stuff is normal that you're seeing there. It's not like it's an every year thing, some of it is an every 5 or 10 years thing. But yeah, the other stuff you're seeing, I would say you should just take as pretty normal capex. And then, Georgia, you should probably be seeing it as double what is kind of normal. But that's about as far as I want to go with exactly what it should look like, normally.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Great, Geoff. Moving over to corporate level items. We have a shareholder that asks:

"Have you assessed the maximum expense to the company for the stock split, assuming the small shareholders' ownership interests are retired?"

Geoff Gannon (President)

We've done a lot of work. Ralph has done a lot of work. There have been other calculations done, too, of all different possible scenarios for what could happen, in terms of what ranges of outcomes you could have, what it could cost all of that. And that's based on the number of shareholders, what the price would be, and all of those kinds of things. I want to be a little careful, because I don't want to give anything away.

Basically, we've assessed it, thought about it, thought about that in relationship to cash things, how much you know would be spent on it, and all of that, thoroughly.

But if I give any more details on that, it kind of suggests things about what we expect to happen. Basically, like how many shareholders we expect to be cashed out and things like that. And just more details on that than I want to get into.

But we've assessed a range of different outcomes and are comfortable that we would go through with it, only if we had sufficient cash and under probabilities that a lot more people ended up cashed out than you would expect, based on the numbers and stuff. We built in a margin of safety on that stuff.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Great, Geoff. We have a question on liquidity.

"Do you anticipate any need to further enhance liquidity with any type of credit facility?"

Geoff Gannon (President)

That's a really good question. It depends on like the word "need" and all that.

Will we explore the possibility of credit facilities? Yeah, that's something we might explore instead of just term loans at times.

Right now, we have some cash. And if things get termed out enough, then you can be holding enough cash.

Really, the low point for cash should probably be the first week of March. It could get about that low starting around now till March. Let's say we're getting close to what the low point will be for cash, and then it kind of builds from there through September.

So, we have projections on that. We're looking at that.

Historically, the company, except for when it was in a much worse position, didn't really need to draw on credit lines except during the off-season. Normally, we would want to run things such that we have cash on hand without having to tap any credit facility or anything that would be sufficient anyway.

We plan to hold some cash, whether that's borrowed money or money that isn't paid out or used to do buybacks or whatever. You have a cushion for that in terms of cash. So, we're not going to run it down until it's close to zero ever during the off-season.

We will look at the possibility of some revolving credit stuff, but I don't know that means there's a "need" for it. It's a good thing to have as a backup in the sort of an emergency case.

In case something happened, it's looking at it like: Okay, what if you had something like what happened with the tornado? It takes a while to get insurance proceeds, and things like that. We kind of stress test it that way and ask, is this something that we need to consider?

So yeah, it's something I've thought about. But we're not close to actually doing anything with that that I can think of right now.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Okay. And we have one last written question.

Before I move on to the written question. At this time, I would like to invite all participants on today's call to ask a question. If you have a question, please use the "Raise Hand" feature at the bottom of your screen, and I will call on you after the question is addressed.

The last question that we have here is a longer one, Geoff.

"Given the investing background of Focused Compounding – and their knowledge of how Markel, Berkshire Hathaway, Fairfax Financial, and other companies have successfully used an operating company as a platform to build assets – are there any plans to consider doing the same at Parks! America once things settle down?

So, instead of paying dividends and buying back stock as the only forms of capital allocation, might Parks! America use the future free cash flows, if any, to buy equities, parts of private businesses, or complete private businesses?

Basically, what are the odds of using Parks! America as a long-term investing vehicle?"

Geoff Gannon (President)

Okay, I'll start with like the timing. There's something about that in the question.

Basically, we don't have a lot of cash lying around right now. Obviously, you can see what the cash is, what the debt is. Even going through this season, that wouldn't be something that we can be feeling any pressure to decide what to do about cash. So, that's the first thing. There are no immediate needs to be determining what to do with cash right now.

There are other things: annual meeting, reverse split things, getting through the current season that we have, then considering what the capital budget is for next winter. And then, you'd be thinking, okay, do we have excess capital and that kind of thing?

So, we're not at a point where we'd even be considering that, anyway.

There were a bunch of different items on that list, like buying other private businesses. That is a normal thing that public companies do. Sure, we look at acquisition targets. That's something that we might do.

For the other ones, I should get a little bit into why you would or wouldn't do that – the efficiency of it and everything. So, a public company, like we are, is not optimally efficient for doing some of the things the companies you mentioned. All of those companies you mentioned have insurance operations.

But in addition to that, there's a balance sheet test for the SEC. You wouldn't have more than 40% or something of your balance sheet ever in investment type things before the SEC would probably be asking questions about, are you an investment company or something? There's some leeway, I think, on that while you're in a big transition period, but basically, there would be limits on that before you turn into a different kind of company. I don't think we would get near that.

If you look at the history of the company, it is true that if the company had, instead, bought stock in other entertainment type companies – Cedar Fairs and Disney's and whatever – instead of directly buying these other parks, then yes, they would have done better. The stock would have a much better long-term result by doing that.

Okay, that's one way of looking at it.

But the opposite side I want to look at it is, you do have to consider that you, as a shareholder, would be better off buying these things yourself than having a company like Parks! America buy it for you and you hold through them, right? So, it's just inefficient from that perspective.

So, it's something to think about that. It's usually much more efficient to do the things we talked about, the buybacks, the dividends, all of that.

What you want to do is something that's both smart and efficient. Sometimes, there are trade-offs on those things. It would be great to buy private businesses that are aligned with what we already do, but the multiples on that might be high.

So, we will try to do something, as much as possible, that's both intelligent on the numbers, but also efficient in that there's not a lot of leakage for tax things and all that stuff for you, the shareholder. We'll consider both of those things always. We'll consider kind of what the after-tax things look like for you. That's kind of the way that we want to think about it.

And some of the things that you mentioned there might work for some of those companies, but for your average public company, there's serious inefficiencies there that you would want to take into account. And we would take them into account. So, we'll try to do the things that for the end shareholder makes the most sense on an after-tax basis. That's how we would consider it.

And then, finally, none of these things have been talked about at the board level and discussed really at all, except for – we've kind of mentioned to you in these calls that obviously we're all aware of – Aggieland. That it hasn't been performing the way that it should versus appraisal and all that.

And so, that's the only asset thing that we've talked about really in depth for a while. There's no talk about pivoting to taking the company totally different direction like that.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Alright, Geoff. I think that's a great point to end the call.

At this time, there are no more questions in the queue. That concludes today’s call.

A transcript of the call will be available on the Company’s website.

Thank you for joining us today. You may now disconnect.