Ralph Molina (Head of Investor Relations and Corporate Strategy)

Good afternoon, everyone. Welcome to Parks! America's Second 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 our 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)

Thanks, Ralph. I just wanted to go over two different things.

One, corporate events going on. We had a reverse split. Ticker symbol is temporarily PRKAD. And we listed on OTCQX. For details on all that, go to the 10-Q.

And then the other point that I wanted to get into was Aggieland. In previous calls, I mentioned that I was serving as the General Manager of Aggieland temporarily. That has changed. Now we brought in a permanent General Manager there.

However, that is not reflected in any of the results you see in this 10-Q. The start date for the new general manager was April 2nd. But then this period is through March 30th. Basically, you're seeing the results while I was there and not yet reflected for the results of the new General Manager.

That means that results in April will start to reflect the new General Manager. And in May, we'll start to reflect new pricing, which will be higher pricing, basically. And those things are not things that are captured by this quarterly result.

The final thing I want to talk about Aggieland that way is, we do talk a little bit about in the 10-Q, that the increased sales year-over-year was due to a better spring break. What we're really saying there is that January and February, which are part of the months of captured by this quarterly result – we're not seeing the same trends as we saw in March. The trends that you see in terms of the increase in sales year-over-year is purely a result of March being better than the previous quarter. It is not a result of January and February being better. And that's why we included that language.

And that is basically it. So, Ralph. We can go to 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. "Per the Focused Compounding podcast on May-10-2024, it was communicated that the phase 1 plan for the company is to sell its parks in Texas and Missouri. Is the plan still on track to sell these parks, and have we made progress on that front?"

Here is a similar question from another shareholder. "I am an investor in Parks! America, and I have a question about things I am seeing on the website. In past podcast discussions, I have heard Geoff and Andrew focus a lot of attention on a potential sale of Aggieland property in the future if it does not meet certain financial goals. I'm not suggesting that the website is in conflict with this item, but the website sets a different, more growth-oriented tone. Would you say there has been any change to the company strategy? Any commentary you could provide would be appreciated."

Geoff Gannon (President)

Sure. The website has investor relations portion to it. And then it also has a portion that is basically targeted towards people who might be interested in selling attractions, not just animal attractions, but other things to the company.

It's not necessarily inconsistent that the company might sell something and buy something at some point. That is, if the decision was made to sell a park, that would probably be because the return on capital of that park was not good. And if the decision was to buy a park, it would probably be because the projection would be that the return on capital of the acquired asset would be good. It is not necessarily the case that the company would be deciding to either shrink regardless or to grow regardless. I think that's kind of unlikely.

So, I think that it would be 2 separate decisions. If a park is retained, it'd be because there's belief that the return on capital will, in sometime in the near future, be adequate. And if a park was acquired, it would be for the same reason – that sometime in the near future the return on capital would be adequate. It wouldn't just be a general blanket decision to shrink or to grow. It would have to be that the asset being acquired or retained has a likelihood of having a good return on capital in the fairly near-term future.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Geoff, related to that, an investor mentioned: "Texas revenues are up 14% and gross profit more than doubled to $67,000 at the park level. Is there potential for the park to do well enough financially, but not sell it?"

Geoff Gannon (President)

Okay. There's potential. So, the park is over capitalized in the sense that it operates on more land than is necessary to have a park there. We use maybe 200-250 acres of 450 acres. And then the land is more expensive, right? So those are the issues.

The park certainly has the potential to generate positive EBITDA. The question is: How high is that positive EBITDA vs. how much capital you have invested in the business?

That kind of gets to the issue of the market vs. other things. So ultimately, it's the local market that determines whether a certain level of capital invested in a park can be justified.

Operationally, we could improve it. Marketing wise, we could improve it. That is true, for any of the parks. And so, if you're talking about potential vs. what we're capable of right now?

There is potential as long as the market is sufficient. And so then just gets to the question: Is the market in Aggieland a lot worse than the market in Pine Mountain? And different people might have different opinions on that. It's hard to tell until we see results of better marketing and stuff in there.

So far, not a lot of the results that you've seen from Aggieland reflect the kind of changes that we intended to make at Aggieland – that's what I was hinting at in the start of the call. That's also kind of what I was trying to say in previous earnings calls where I kept mentioning we've shut off advertising. We're retooling that and everything. You won't start to see things until our season starts up. Our season for the parks really does not start until March. Aggieland kind of has the earliest season. The end of this quarter was the first part of the season that you could see that reflected.

Obviously, you're starting from a very low base. That's why percentage wise, you could see good results for a period of time. But once you lap those results, you can't expect that you'll keep seeing good sales results on top of a good year. You're seeing good sales results on top of a bad year, which is a lot easier to achieve.

The potential is unclear that way. It's just an issue of people's opinions about the market size and what it can handle and also opinions about whether there's any way to release capital from the park too.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

All right, Geoff. We have quite a few questions related to our Georgia Park.

One shareholder asks: “Any guesses on why Georgia’s Park revenue is slightly down in Q2, and in the first half of 2025 fiscal year?”

Another shareholder asked a similar question: “Is it possible to add color regarding the decline in attendance for the Georgia Park, specifically around increased competition in the greater Atlanta area? Any comments on the outlook for nearby Callaway Gardens Resort, and how that may affect the number of guests to our Georgia Park in the summer months?”

Geoff Gannon (President)

Well, I mean Pine Mountain in general: Callaway Gardens; there's other things that people might want to see in the area including not for profit things; and then there's also Great Wolf Lodge; and there's other things in the area. But yeah, it would have an impact. And to some extent, we would have an impact on them too, and on tourist flows in the area.

I don't have any predictions about what the future attendance at Callaway Gardens will be. That would be even harder for us to predict than our own future attendance.

In terms of why attendance is down. We talked about a little bit in the 10-Q – that language is basically been kept mostly from previous management and what we said in other 10-Q's too – there is increased competition in the State of Georgia. That's been going on, though – for different levels of intensity – for like 5 or more years. So yes, that's true.

My own feeling is that the primary reason is poor marketing, especially paid advertising, in both Missouri and Georgia. And my explanation for why things are going better sales-wise in Aggieland is improvement and effectiveness of paid advertising especially. But that's difficult to prove for any one period, but I think it's the most likely explanation – just marketing effectiveness has not been good lately. Not just this year, but in recent few years, at either Missouri or Georgia. And it hadn't been good at Aggieland, but I think it's gotten better now.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

We have a question on Georgia's EBITDA. "It's been mentioned that Georgia's EBITDA in 2017 is a good figure to use for Georgia's current normalized EBITDA. To get a normalized EBITDA for Georgia today, should Georgia's 2017 EBITDA be adjusted upward to account for inflation that has occurred since then?"

Geoff Gannon (President)

I would say that for the potential EBITDA – yes, that would make sense. Based on what the market potential is, what the attendance levels that Georgia could do, and what it would be capable of pricing at that – yes, that would be correct that way.

I was talking mainly in real terms when people were asking, "What is a number that Georgia could do?" I would say, I don't think that it will do more than it did back then. I think that was kind of the high watermark.

The inflation thing is a little complicated because we have increased prices over time, but certain other costs have increased even faster than that. However, sales increases are much more significant for us than, say, labor increases. I don't think we'll get real labor costs at any of the parks, including benefits and things like that, anywhere near the levels that they were back then. But a dollar increase in sales is a lot more important than a dollar of labor cost.

In broad strokes that's about right – that real potential for the park is about the same as it was 8 years ago.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

We have a question on the capex for Georgia. "Capital expenditures are $938,000 this year, up from $273,000 during the same time last year. What has this extra capex been spent on? And what's your rough estimate of Georgia's Park annual maintenance capex needs? I understand that some capex has been both maintenance and growth."

Geoff Gannon (President)

It would depend on exactly when the Capex fell vs. previous years. If you're looking at quarterly, that's pretty lumpy. If you're looking at full year and stuff, I would say that we will come in with capex that could be as high as $800,000 more than what I would say normal capex would be at Georgia this year. And that's due to a restroom project that had been conceived and started at the time that I came in, then we just went through with it.

I could go through what the rest of the capex has been spent on, but it's nothing interesting. There's just one big item and the rest don't even add up to that one big item. The unusual spending is a restroom project. I don't think the other spending is unusual.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Related to that, a shareholder asked: "Has the Georgia park facilities upgrade project been completed? And any immediate capex plans there or at the other two parks?

Geoff Gannon (President)

Well, there's always capex plans. We try to spend the capex in the off-season. When you see a lot of spending in the period where we're profitable, that's probably because either that project went slow, which can happen sometimes. Or more likely, there were immediate needs for some capex, like vehicles and things like that.

The bigger capex things are planned to take place in the period of January, February, and the few months before that. So, after the summer but before the period of March or April. So, your 6 months of off-season, basically.

I don't think there's unusual planning for capex at Missouri, Georgia, or Aggieland. In dollar amounts, I don't think that there is. And like I said, if you were to go through the last 12 months or so and take out the restroom project from Georgia, which let's say in very rough terms is $800,000, the number you're seeing is pretty normal across the whole company.

But that doesn't mean there won't occasionally be spending on new things at some of the other parks. It can happen.

I'm not breaking it out for you, but when I was in Aggieland, we spent a good chunk on an unusual capex thing, which I wouldn't expect to be repeated. It's just nothing like the restroom thing, so no one would notice that it's some big capex item. We did it, and I don't expect to be repeated. So, there'll be things like that.

But overall, I think that all you're seeing is the restroom project that is the only unusual thing. There's no immediate unusual spending planned, I think, for the next year. It should look fairly normal, I think.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

We have one question related to all of the parks. "How has each park been performing since the end of Q2 through today? In other words, the first few weeks of Q3. So, April and May. Can you comment on that?"

Geoff Gannon (President)

No, I'm not going to comment on that.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Moving on to corporate level items. "How many shares are being purchased/retired (and fractional shares being retired) as a result of the Reverse/Forward stock split? What was the price per share? And what is the total amount you expect to pay out as a result of the stock split plan?"

Geoff Gannon (President)

Ralph, I don't think we're ready to give that exact amount?

We could have an estimate of it, but I don't think we want to do that on this call.

What do you think?

Ralph Molina (Head of Investor Relations and Corporate Strategy)

We could save it for another call.

Geoff Gannon (President)

I think we want to have a completely finalized number for that, which would probably mean let's do it in the quarter in which that event actually occurred, instead of as a Subsequent Event.

So, let's save that for the next quarter. But why don't we make sure that we say that in the call, okay?

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Yes. And for investors and others listening in: The Reverse/Forward stock split was included as a Subsequent Event in the 10-Q. The shares outstanding have been adjusted to reflect the stock split in this 10-Q. However, more information and all adjustments will be made in the Third Quarter 10-Q. That will be released in about August timeframe.

Geoff Gannon (President)

Yeah, I think that's a good way of doing it.

We laid out how the price was determined, so you can see that. And that had to do with what the market price was leading up to it. And then we also have information there for you about the number of shares and everything.

We can give you final numbers next earnings call because it'll cover the actual event in the actual quarter. But honestly, there's already information out there to get very close to that number on your own. If you really want to do that on just the two things I told you.

But I don't want to announce finalized numbers, like to the decimal, for something that didn't actually happen this quarter.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Do you want to comment on the price per share? Since that is essentially public knowledge.

Geoff Gannon (President)

There's nothing unusual about the share price going into it, right? I think it was extremely flat in the week that went up. It was the 5 days that it was leading up to it.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Yes.

Geoff Gannon (President)

And it's trading about there, right? The last I saw the trades – right around there.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Yes.

Geoff Gannon (President)

So, basically, the recent market price at the time that it happened is very close to what the price would have been.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Yes, that is correct.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

All right. Moving on to insurance. "Are there any outstanding insurance payouts that may result from claims related to the proxy contest, or is that matter finalized?"

Geoff Gannon (President)

The matter is not finalized. We still carry a liability of approximately $360,000. It's in the 10-Q. To my memory, it's about $360,000, which is shown as a payable, related to the proxy.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Okay, great. And before we get to the final questions which deal with the outlook for the company and management of the company, we have some technical accounting questions here that could be helpful for all shareholders to hear.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

First question is related to depreciation. "In the Property & Equipment breakdown in the 10-Q on Page 9, park animals are at a cost of about $1.2 million. Are animals expensed through depreciation? If yes, does the rate of depreciation vary based on the type of animal and their age?"

Geoff Gannon (President)

It's the estimated useful life of the asset, which in this case we're talking about a park animal. So, it's exactly what the note says: "Depreciation is computed on the straight-line method over the estimated useful lives of the assets." And yes, that includes estimates for animals based on what we think their lifespan will be again.

I mean, it gets more highly technical than that because the animals that are on the books are not necessarily the exact same as the animals that would have value in the market, or something like that, because of whether there's an event that's occurred. Like if we purchased an animal, then that would be one thing. If the animal was born, it would be something else.

So, I'm not saying it's a realistic number. But yes, it is based on the estimated useful life of the asset. So, it's based on the estimated useful life of the animal, which is usually the same basically.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Last question on the technical accounting. “In the cash flow statements, there are increases in accounts payable and acquisition of property and equipment. Can you provide further detail on these items and any further increases in these line items expected in the near future?”

Geoff Gannon (President)

I think you're looking at the 26 weeks ended March 30, 2025.

The acquisition of property and equipment is the restroom project. It's not the full extent of it and stuff. But I laid that out, and that's almost exactly what the difference is. I said it would be somewhat about $800,000. Then, you can compare those 2 numbers and decide if that's what's in there.

Accounts payable? I'm not sure if I fully understood that question, actually.

I think the only major change that we had in accounts payable is related to the proxy contest, the eventual insurance receipts on that, and then for the full 6 months there probably would have been two receipts that were meaningful in that way.

But I'm not sure what else we would have had that would be a big change in that. I would have to compare exactly what it was in the previous period to know that for sure. I wasn't here for that.

We don't normally have huge accounts payable. If you're seeing big changes in the accounts payable, it is most likely related to insurance. We'd have to go through like if it was anything else, but insurance dwarfs the other things that would be in accounts payable.

And likewise with the capex. Yes, there's a lot of things in capex, but the restroom project dwarfs it. So, if you're saying those are big items that are unusual changes – yes, it's insurance related to the proxy with the accounts payable. So that is like legal fees, basically. And capex is the Georgia restroom project. I mean that's not 100% in either case, but by far, that's what you're seeing in each case.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Okay, great.

We have two final questions that have been previously submitted via email. If there’s any follow up questions and you are a participant on today's call, please use the “Raise Hand” feature and we'll get back to you.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

The first question here is related to the management of the company. "You mention in the report the focus on EBITDA and free cash flow per share in assessing the performance of each segment and the company as a whole. Can you speak to where these metrics stand now? And what you believe would be a reasonable benchmark for these metrics based on industry standards for comparable organizations?"

Geoff Gannon (President)

Well, I mean the easiest ones for comparison purposes, for the industry, is for margins on both of those.

I don't know if that's the most useful number, though, because what we actually care about in the long-run is return on capital. So, you could have a sufficiently high margin and yet we feel that they're not necessarily doing that well in terms of EBITDA, or something.

A very well performing park in the industry is probably capable of doing a 30% EBITDA margin. The question is how much capital it uses and some other factors like that. It is potentially possible to have a 30% EBITDA margin. And yet, for the park to not be doing well enough because it simply uses too much capital relative to EBITDA.

Free cash flow is closely related to EBITDA. There's some difference, because it would depend on the normal level of capex as well as factors having to do with animal acquisition and sale, basically.

A successful park in the industry probably can do something like 30% EBITDA margins or something, and probably only requires about 1/3 of EBITDA to be used for, let's say, capex and investment in animals and things like that.

So, do the math on that. 30% EBITDA margin is a benchmark for what it is. And then 20% after those things, more like in terms of free cash flow. But that's before taxes. So then, you have to apply taxes to that. But if you're talking about sort of cash flow absent the effects of cash, then the 20% margin. And then you put a tax rate on that, that's probably what we're talking about in terms of margins of a successful park in the industry.

But again, I would just say in terms of what it does for shareholders over time, for owners over time, it's really important what the relationship between sales and capital invested in the businesses, and not just the margins. There are parks that have good looking margins but aren't really making their owners wealthy because they require too much capital to be laid out in like land and things like that. But they are cash flowing back to the owner. So there's not debt on it, or something. They can stay in business, and they can look like they're doing pretty well.

Those are rough things for the industry. They're not necessarily anything that has to do with our particular parks. I'm just trying to give you a guess.

And then, of course, there are many, many parks that are much more marginal and are hoping to achieve those results, but are nowhere near it. And that's just true in any industry that aren't that successful.

But what are people targeting? Probably something like that. That's probably true. 30% EBITDA margins. And then 20% pre-tax with, then you apply, 25% tax rate or whatever, and so your free cash flow is then in the teens or something. That's probably what they're looking for.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Great thanks, Geoff. And here is the last question that we have for today. “In summary, where do you see the best opportunities going forward? What efforts are planned to further grow EBITDA and free cash flow per share?”

Geoff Gannon (President)

The biggest thing to grow EBITDA or free cash per share by far would be to improve marketing effectiveness.

There are a couple ways to think about this.

At existing parks, the best thing that you can do is simply be an increase in price, if you could do it. That would bring in the most profit.

The second-best thing that you could do would be to have additional sales of other things per attendee that you already have during their visit. Not necessarily a price increase, but an increase in per capita spending. Basically, more spending at the park on other things while you're there.

Somewhat less attractive than that would be increased frequency of visits by the same people. But that would also be good.

Somewhat less attractive than that is actually drawing in new attendees.

The flip side of that is that you can remove expenses. That's very, very hard to do for everything except for the corporate part of the business right now. I do think that there's room for improvement on that side only at Aggieland. I do not believe that at Missouri or Georgia, there's room for improvement in terms of cutting a fat or anything like that. And of course that's much less significant. If you cut labor costs by 5%, that's not as helpful as increasing sales by 5%.

And then other things are releasing capital, which is shrinking the footprint of a park, or lowering the amount of reinvestment that you're making all the time. That has the effect of improving things over time, too. That's pretty significant. It varies by park. Actually, capital expense, economically, is about as significant as marketing effectiveness and insurance.

So, I would say, your biggest expenses are really how much capital is in the business, how effective your marketing is, and how much your insurance costs. Those three are pretty comparable in terms of their importance to how well a park does, and whether we can get those numbers looking better over time. And that's just a question of how far you can go with each of them.

I think the best room for continual improvement is increased marketing effectiveness. There may be some room for improvement trying to get some lower insurance costs, because some of the ways we buy insurance and stuff is not so good. And like I said, there is some room for improvements in terms of not increasing capital as quickly as you increase attendance. So, reducing capital intensity. But those things where we might have improvement for a year or something, but they're not going to be improvement year-after-year. There might be a one-time opportunity in those things.

The one that really has the big opportunity is to spend similar amounts of advertising dollars and get bigger bang for your buck, or to reduce advertising expenses while keeping sales levels the same. So, better return on advertising is your biggest opportunity at the three existing parks.

And then, when we talk about other things, it gets a little bit more complicated. I think that is something that we can talk about probably next calendar year or something. I don't know that we have enough capital right now – and liquidity and stuff – that we would be looking at really good opportunities to acquire things. Theoretically, there might be potential for that. But nothing that I've seen so far has the sort of payoffs of improving the existing parks right now.

But that can change. I just mean that I've not seen any deals that look that exciting vs. what you could get by improving existing parks at the moment. But if the economic climate was to change dramatically, or finance was changed dramatically, or whatever, you might see, better deals coming across.

Ralph Molina (Head of Investor Relations and Corporate Strategy)

Thanks, Geoff. With that, 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.