



Penn National Gaming Enters into Definitive Agreement to Acquire Operations of Bally's Casino Tunica and Resorts Casino Tunica for Pre-Synergy Purchase Multiple of 3.7x

March 28, 2017

WYOMISSING, Pa.--(BUSINESS WIRE)--Mar. 28, 2017-- Penn National Gaming, Inc. (PENN: Nasdaq) ("Penn National" or the "Company"), announced today that it has entered into a definitive agreement to acquire RIH Acquisitions MS I, LLC and RIH Acquisitions MS II, LLC, the holding companies for the gaming operations of Bally's Casino Tunica and Resorts Casino Tunica, for total consideration of approximately \$44.0 million cash. With a purchase multiple of 3.7x trailing twelve months adjusted earnings before interest taxes depreciation and amortization ("EBITDA," a non-GAAP financial measure defined below) after master lease payments, and a lower post-synergies pro-forma multiple, Penn National believes this transaction further supports the Company's goal of enhancing shareholder value.

Timothy J. Wilmott, Penn National's President and Chief Executive Officer, stated, "We are pleased to partner with Gaming and Leisure Properties to structure this tuck-in transaction which will be immediately accretive to our operating results upon closing. The acquisition will add two complementary casinos to our existing Hollywood Casino Tunica operations thereby presenting Penn National with the opportunity to benefit from a centralized local management structure. We intend to make modest cap-ex investments at the newly acquired casinos to elevate the guest experience while implementing our Marquee Rewards player loyalty program to allow guests to access Penn National's growing portfolio of properties including our Tropicana Las Vegas resort."

Following the completion of the proposed transaction, Penn National will operate both Tunica properties and lease the underlying real property associated with these two businesses from Gaming and Leisure Properties, Inc. (GLPI: Nasdaq) ("GLPI") pursuant to the terms of the Company's existing Master Lease with GLPI, with total initial annual rent of \$9.0 million subject to the provisions included in the terms of the Master Lease. On a combined basis, Bally's Casino Tunica and Resorts Casino Tunica generated adjusted EBITDA of approximately \$21.0 million for the twelve month period ended December 31, 2016.

Bally's Casino Tunica, the closest Tunica-area casino to downtown Memphis, features a 40,000 square foot casino with 947 slot machines and 16 table games, along with a steakhouse, buffet restaurant, 24-hour café, and a live entertainment venue. Resorts Casino Tunica, which is located adjacent to Penn National's existing Hollywood Casino Tunica, features a 35,000 square foot casino with 800 slot machines and 9 table games. The property also offers a steakhouse, buffet restaurant and 24-hour café as well as 18,000 square feet of meeting and event space and a 201-room hotel.

The transaction, expected to close in the second quarter of 2017, is subject to the approval of the Mississippi Gaming Commission and other customary closing conditions.

In addition to GAAP financial measures, adjusted EBITDA is used by management as an important measure of the Company's operating performance. We define adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (such as depreciation and amortization) added back for our joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction was accounted for as a financing obligation. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, and is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We also present adjusted EBITDA because it is used by some investors and creditors as an indicator of the strength and performance of ongoing business operations, including our ability to service debt, fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value companies within our industry. In addition, gaming companies have historically reported adjusted EBITDA as a supplement to financial measures in accordance with GAAP. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their adjusted EBITDA calculations certain corporate expenses that do not relate to the management of specific casino properties. However, adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDA information is presented as a supplemental disclosure, as management believes that it is a widely used measure of performance in the gaming industry, is used in the valuation of gaming companies, and that it is considered by many to be a key indicator of the Company's operating results. Management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel. Adjusted EBITDA should not be construed as alternatives to operating income, as indicators of the Company's operating performance, as alternatives to cash flows from operating activities, as a measure of liquidity, or as any other measures of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA. It should also be noted that other gaming companies that report adjusted EBITDA information may calculate adjusted EBITDA in a different manner than the Company and therefore, comparability may be limited.

About Penn National Gaming

Penn National Gaming is a diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal operations. The Company recently expanded into social online gaming offerings via its Penn Interactive Ventures, LLC division and its recent acquisition of Rocket Speed, Inc. (formerly known as Rocket Games, Inc.). Penn National currently owns, manages, or has ownership interests in twenty-seven facilities in the following seventeen jurisdictions: California, Florida, Illinois, Indiana, Kansas, Maine, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario, Canada.

Forward-Looking Statements

The discussion in this press release may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward looking terminology such as “expects,” “believes,” “estimates,” “intends,” “may,” “will,” “should” or “anticipates” or the negative or other variation of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Such forward looking statements are inherently subject to risks, uncertainties and assumptions about Penn National Gaming and its subsidiaries, including risks relating to required regulatory approvals and other conditions to closing the acquisitions described herein, the successful integration of such acquisitions and our ability to realize potential synergies or projected financial results from such acquisitions, and accordingly, any forward looking statements are qualified in their entirety by reference to the factors described in Penn National Gaming’s Annual Report on Form 10-K for the year ended December 31, 2016, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the Securities and Exchange Commission. All subsequent written and oral forward looking statements attributable to Penn National Gaming or persons acting on the Company’s behalf are expressly qualified in their entirety by the cautionary statements included herein. Penn National Gaming undertakes no obligation to publicly update or revise any forward looking statements except as required by law.



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Source: Penn National Gaming, Inc.

Penn National Gaming, Inc.
William J. Fair, 610-373-2400
Chief Financial Officer

or

JCIR

Joseph N. Jaffoni / Richard Land, 212-835-8500

penn@jcir.com