

Penn National Gaming, Inc.

Margin Improvement Initiatives



Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our expected operating margins. Although the Company believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business, there can be no assurance that actual results will not differ materially from its expectations. Meaningful factors that could cause actual results to differ from expectations include, but are not limited to, risks related to the following: the assumptions included in our financial guidance; adverse macro-economic or legislative events; our ability to drive revenue; the challenges associated with a margin improvement initiative; the impact of significant competition from other gaming and entertainment operations; as well as the other factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, the October 26, 2017 Company Earnings Release, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, each as filed with the United States Securities and Exchange Commission ("SEC"). The Company does not intend to update publicly any forward-looking statements except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this press release may not occur.

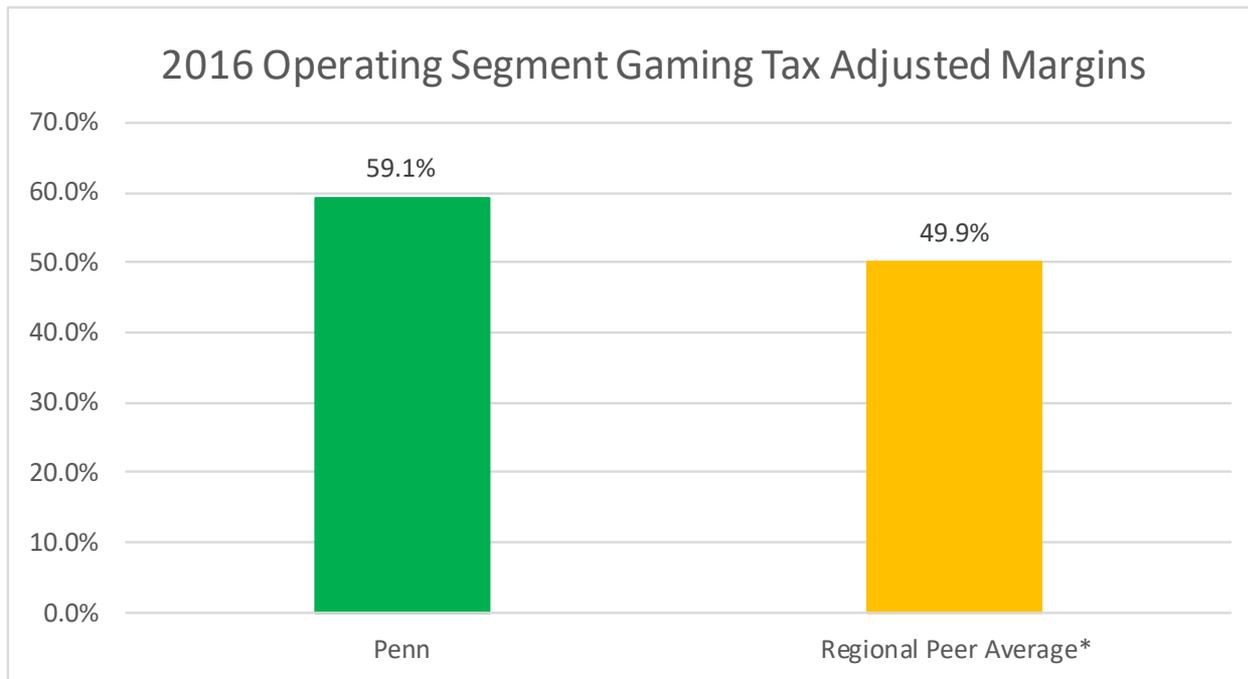
Reconciliation of GAAP to Non-GAAP Financial Measures

This presentation includes Adjusted EBITDA margins and Operating Segment Gaming Tax Adjusted margins which are "Non-GAAP financial measures" within the meaning of SEC Regulation G. We believe these metrics are useful for investors to compare our property operating results against our regional competitors. Operating segment gaming tax adjusted EBITDA excludes gaming taxes because these expenses are established by taxing authorities in each jurisdiction where we operate and outside of the control of the Company and its peers. We also exclude adjusted EBITDA from unconsolidated affiliates in our calculation of Operating Segment Gaming Tax Adjusted margins for comparability purposes with our regional peers. Adjusted net revenues are calculated based on our operating segments net revenues. A reconciliation of these Non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is included in Appendix A to this presentation.

Market and Peer Data

This presentation also contains estimates and information concerning the Company's industry and peers, including non-GAAP operating margins, that are based on peer company public filings. Because this information is based solely on property level information and excludes corporate operations, you are cautioned not to rely on or give undue weight to this information. The Company has not independently verified the accuracy or completeness of the data contained in the public reports of its peers. In addition, although the Company's peers report non-GAAP financial results, such as Operating Segment Gaming Tax Adjusted margins, these peers may calculate Adjusted EBITDA in a different manner than the Company, and, therefore, comparability may be limited. See Appendix A for a description of the Company's calculation of Operating Segment Gaming Tax Adjusted margins.

Gaming Tax Adjusted Margins



- Regional Peer Group defined as Pinnacle Entertainment, Boyd Gaming, and Isle of Capri Casinos
- Isle fiscal year ended April 24, 2016

Source: Company SEC filings and earnings releases

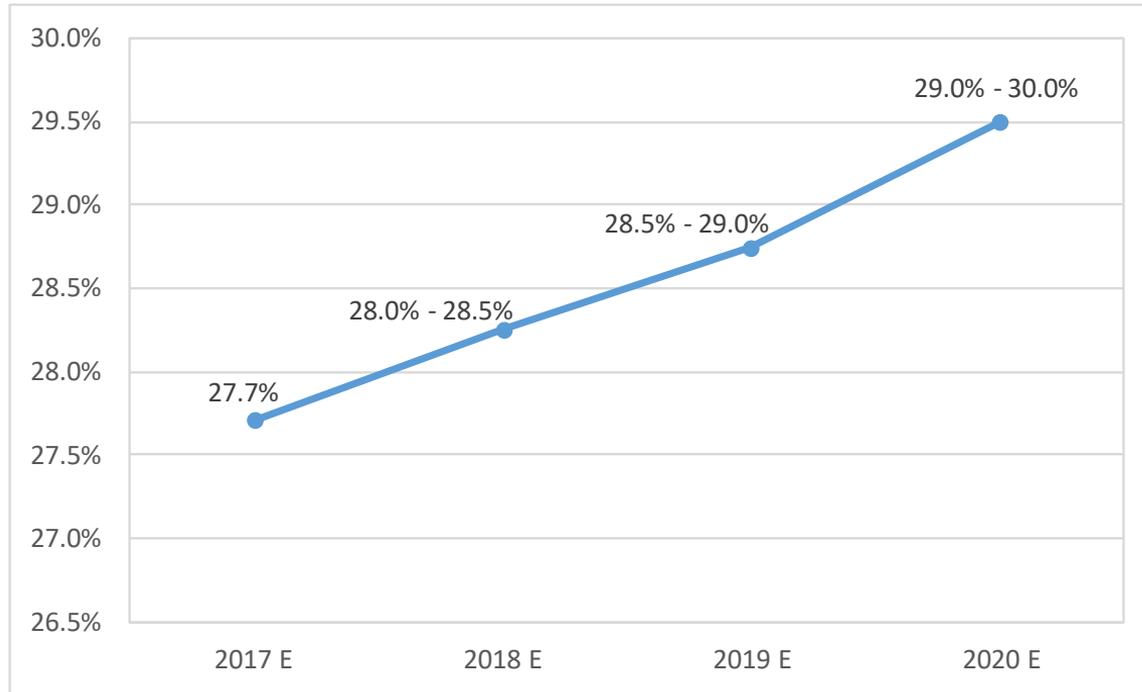
Path to Growing Industry-leading Margins



Strategic priorities for margin expansion...

- Driving **revenue growth** by improving our gaming, hotel, and F&B offerings to more effectively meet evolving customer preferences
- Improved sharing of **best practices** in how we deploy **marketing reinvestment/spend** across properties and customer segments to drive a higher ROI on our campaigns
- Augmenting functional **shared services** to increase back-office efficiency and reduce cost
- Capitalizing on our **growing scale and consolidated purchasing power** through **strategic sourcing** of our largest spend categories
- Better managing our **direct labor** via **improved scheduling, new technologies** and continued **best practice sharing**

PENN Adjusted EBITDA Margin



Source: Company SEC filings, earnings releases, and estimates



Penn National Gaming, Inc.

Thank You

★★★★★
MARQUEE
REWARDS

HOLLYWOOD
Casino

Tropicana
LAS VEGAS

M
RESORT • SPA • CASINO
LAS VEGAS

ARGOSY[™]
CASINO

P
PLAINRIDGE PARK
CASINO

BOOMTOWN
CASINO ★ BILOXI

ZIA PARK
CASINO • HOTEL • RACETRACK

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Appendix A – GAAP to Non-GAAP Reconciliation



	(Amounts in thousands)	
	Year ended December 31,	
	<u>2016</u>	<u>Margin</u>
Net revenue	3,034,380	
Less: net revenue from "other" category	(41,691)	
Adjusted net revenue	<u>2,992,689</u>	
Income (loss) from continuing operations	543,016	18.1%
Add: Loss from operations in "other" category	170,317	
Reconciling items within operating segments:		
Loss on disposal of assets	893	
Insurance recoveries, net of deductible charges	(726)	
Contingent purchase price	(1,271)	
Depreciation and amortization	166,414	
Income from unconsolidated affiliates	15,960	
Non operating items for Kansas JV	10,311	
Operating Segment Adjusted EBITDA	<u>904,914</u>	
Less: EBITDA from unconsolidated affiliates	(26,271)	
Add: Gaming taxes	891,498	
Operating Segment Gaming Tax Adjusted EBITDA	<u>1,770,141</u>	59.1%

