



# Penn National's Transformational Acquisition of Pinnacle Entertainment

December 18, 2017



# Forward-Looking Statements

This communication may contain certain forward-looking statements, including certain plans, expectations, goals, projections, and statements about the benefits of the proposed transaction, Penn National' and Pinnacle' plans, objectives, expectations and intentions, the expected timing of completion of the transaction, and other statements that are not historical facts. Such statements are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as "expect," "anticipate," "believe," "intend," "estimate," "plan," "target," "goal," or similar expressions, or future or conditional verbs such as "will," "may," "might," "should," "would," "could," or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements including: risks related to the acquisition of Pinnacle by Penn National and the integration of the businesses and assets to be acquired; the possibility that the proposed transaction does not close when expected or at all because required regulatory, shareholder or other approvals are not received or other conditions to the closing are not satisfied on a timely basis or at all; the risk that the financing required to fund the transaction is not obtained on the terms anticipated or at all; potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the transaction; potential litigation challenging the transaction; the possibility that the anticipated benefits of the transaction are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies; the possibility that the anticipated divestitures are not completed in the anticipated timeframe or at all; the possibility that additional divestitures may be required; the possibility that the transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events; diversion of management's attention from ongoing business operations and opportunities; litigation relating to the transaction; risks associated with increased leverage from the transaction; and additional factors discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Penn National' and Pinnacle' respective most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the Securities and Exchange Commission. Other unknown or unpredictable factors may also cause actual results to differ materially from those projected by the forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond the control of Penn National and Pinnacle. Neither Penn National nor Pinnacle undertakes any obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required to do so by law.

# Important Information For Investors

## **Additional Information**

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. In connection with the proposed transaction, Penn National intends to file with the SEC a registration statement on Form S-4 that will include a joint proxy statement of Penn National and Pinnacle that also constitutes a prospectus of Penn National. Penn National and Pinnacle also plan to file other relevant documents with the SEC regarding the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. You may obtain a free copy of the joint proxy statement/prospectus (if and when it becomes available) and other relevant documents filed by Penn National and Pinnacle with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov).

## **Certain Information Regarding Participants**

Penn National and Pinnacle and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction under the rules of the SEC. Investors may obtain information regarding the names, affiliations and interests of Penn National' directors and executive officers in Penn National' Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 24, 2017, and its proxy statement for its 2017 Annual Meeting, which was filed with the SEC on April 25, 2017. Investors may obtain information regarding the names, affiliations and interests of Pinnacle' directors and executive officers in Pinnacle' Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 28, 2017, and its proxy statement for its 2017 Annual Meeting, which was filed with the SEC on March 14, 2017. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the proposed transaction if and when they become available. Investors should read the joint proxy statement/prospectus carefully and in its entirety when it becomes available before making any voting or investment decisions. You may obtain free copies of these documents at the SEC's website at [www.sec.gov](http://www.sec.gov).



# Transaction Overview

<b>Transaction Summary</b>	<ul style="list-style-type: none"> <li>■ Penn National Gaming, Inc. (“Penn National”) to acquire Pinnacle Entertainment, Inc. (“Pinnacle”)</li> <li>■ Pinnacle shareholders to receive \$20.00 per share in cash and 0.420 shares of Penn National per Pinnacle share (the “Pinnacle Transaction”)             <ul style="list-style-type: none"> <li>— Transaction is valued at approximately \$2.8 billion</li> <li>— Implies \$32.47 per share of total consideration based on Penn National’s closing share price on December 15, 2017</li> <li>— Implies a 36% premium to Pinnacle share price of \$21.86 as of October 4, 2017<sup>(1)</sup></li> </ul> </li> <li>■ Immediately accretive to free cash flow per share</li> <li>■ Pro forma for the Pinnacle Transaction, existing Penn National shareholders will own 78% of the combined company</li> </ul>
<b>Divestiture Assets</b>	<ul style="list-style-type: none"> <li>■ Concurrent with the closing of the Pinnacle Transaction, the gaming operations of 4 existing Pinnacle properties (the “Divestiture Assets”) will be sold to Boyd Gaming Corp. (“Boyd”) for \$575 million in cash</li> <li>■ The Divestiture Assets consist of: Ameristar Kansas City, Ameristar St. Charles, Belterra Park (OpCo) and Belterra Casino Resort</li> </ul>
<b>Sale Leasebacks and Adjustments to Master Lease</b>	<ul style="list-style-type: none"> <li>■ Concurrent with the closing of the Pinnacle Transaction, Penn National has agreed to sell the real estate assets of Plainridge Park and Belterra Park to Gaming and Leisure Properties, Inc. (“GLPI”) for \$315 million in cash</li> <li>■ The amended Pinnacle Master Lease will be adjusted for incremental rent of \$13.9 million to adjust to market conditions</li> </ul>
<b>Anticipated Synergies</b>	<ul style="list-style-type: none"> <li>■ \$100 million of anticipated run-rate cost synergies, achieved within 24 months of closing</li> <li>■ Additional growth opportunities are expected to drive incremental upside, including increased Las Vegas visitation, enhanced scale of player database and higher social gaming revenues</li> </ul>
<b>Effective Pinnacle Purchase Price</b>	<ul style="list-style-type: none"> <li>■ Pro forma for the Divestiture Assets and sale leasebacks, the effective Pinnacle purchase price is \$1,714 million</li> <li>■ Acquisition multiple of 6.6x LTM EBITDA<sup>(2)</sup> pro forma for \$100 million of anticipated run-rate cost synergies and Master Lease rent adjustments</li> </ul>
<b>Financing and Other</b>	<ul style="list-style-type: none"> <li>■ Fully committed financing from BofA Merrill Lynch and Goldman Sachs</li> <li>■ Transaction subject to regulatory approvals, Penn National and Pinnacle shareholder votes and other customary closing conditions</li> <li>■ Expected closing in 2H 2018</li> </ul>

(1) Based on Pinnacle’s closing price of \$21.86 and Penn National’s closing price of \$22.91 on October 4, 2017, the last trading day prior to press speculation regarding a transaction.

(2) Based on effective price of \$1,714mm and EBITDA of \$261mm. See Page 17.

# Summary Transaction Components

**Penn National, Pinnacle, Boyd and GLPI worked together towards an actionable transaction that creates value for all shareholders**

## Penn National Acquires Pinnacle Entertainment



PENN NATIONAL  
GAMING, INC.

*Pinnacle*  
Entertainment

- Acquisition of Pinnacle, except Divestiture Assets, for 6.6x LTM EBITDA<sup>(1)</sup> pro forma for \$100 million of anticipated run-rate cost synergies and Master Lease rent adjustments
- Estimated \$100 million of run-rate cost synergies, with potential for further upside
- Will continue to have 2 distinct Master Leases for legacy Penn National and Pinnacle assets, and assume Meadows Lease
- Expected closing in 2H 2018

## Sale of Divestiture Assets to Boyd Gaming

**BOYD**  
GAMING

- Boyd to acquire Divestiture Assets for \$575 million in cash<sup>(2)</sup>
  - Multiple of 6.25x on 2017E Adjusted Property EBITDA
- Boyd enters into a separate Master Lease with GLPI
- Pinnacle's current rent obligation under its existing Master Lease will be allocated proportionally<sup>(3)</sup> between Penn National and Boyd based on the Adjusted EBITDAR contributions of the respective properties acquired as of FY 2017
- Divestitures are anticipated to occur immediately prior to, and are conditioned upon, the completion of the Pinnacle Transaction

## Sale Leasebacks and Master Lease Adjustments with GLPI



GAMING & LEISURE  
PROPERTIES, INC.

- Sale leaseback of Plainridge Park and Belterra Park for \$315 million in cash<sup>(2)</sup>
  - Blended multiple of 9.8x on rent
  - Plainridge Park will be incorporated into the amended Pinnacle Master Lease
- Annual amended Pinnacle Master Lease payments will include fixed increases of \$25 million for Plainridge Park and \$13.9 million of incremental rent to adjust to market conditions
- Sale leasebacks are anticipated to occur immediately prior to, and are conditioned upon, the completion of the Pinnacle Transaction

(1) Based on effective price of \$1,714mm and EBITDA of \$261mm. See Page 17.

(2) Prior to impact of applicable taxes.

(3) The allocation only applies to assets currently under the Pinnacle Master Lease. Belterra Park lease payment is determined through a 1.8x rent coverage ratio as of FY 2017.

# Compelling Strategic Rationale

1

Enhances Penn National's position as the leading US regional gaming operator

2

Increases geographic diversification with highly complementary properties

3

Best-in-class regional properties enhanced by the Company's Las Vegas assets

4

Meaningful realizable synergies to drive free cash flow accretion

5

Accelerates innovative growth strategy and enhanced customer experience



# 1 Enhances Penn National's Position as the Leading US Regional Gaming Operator



**Divestiture  
Assets<sup>(1)</sup>**



**Pro Forma<sup>(2)</sup>**

		Penn National Gaming, Inc.	Pinnacle Entertainment	Divestiture Assets <sup>(1)</sup>	Pro Forma <sup>(2)</sup>
Financial Metrics	3Q 2017 LTM Net Revenue	\$ 3,122 million <sup>(3)</sup>	\$ 2,578 million	\$674 million	\$5,026 million
	3Q 2017 LTM Adj. EBITDAR	\$ 859 million <sup>(3)</sup>	\$ 703 million	\$197 million	\$1,465 million
	3Q 2017 LTM Adj. EBITDA (net of lease payments)	\$ 407 million <sup>(3)</sup>	\$ 299 million	\$92 million	\$668 million
	Net Leverage	2.6 x (Conventional) 5.3 x (Rent-Adjusted)	2.3 x (Conventional) 5.7 x (Rent-Adjusted)	NA	2.7 x (Conventional) <sup>(4)</sup> 5.4 x (Rent-Adjusted) <sup>(4)</sup>
Portfolio Metrics	Number of Properties <sup>(5)</sup>	29	16	4	41
	Number of Jurisdictions	17	11	3	20
	Top 3 Assets (% of Total GGR)	28 %	34 %	NA	19 %

(1) Based on 2017E estimates for Divestiture Assets.

(2) Pro Forma EBITDAR includes \$100 million of anticipated run-rate cost synergies.

Pro Forma EBITDA reflects an additional \$13.9 million fixed increase in annual rent and \$32million in rent from Plainridge Park and Belterra Park (OpCo).

(3) Includes contributions from our May 1, 2017 acquisition of 1<sup>st</sup> Jackpot Casino Tunica (f/k/a Bally's Resorts Tunica) and Resorts Casino Tunica.

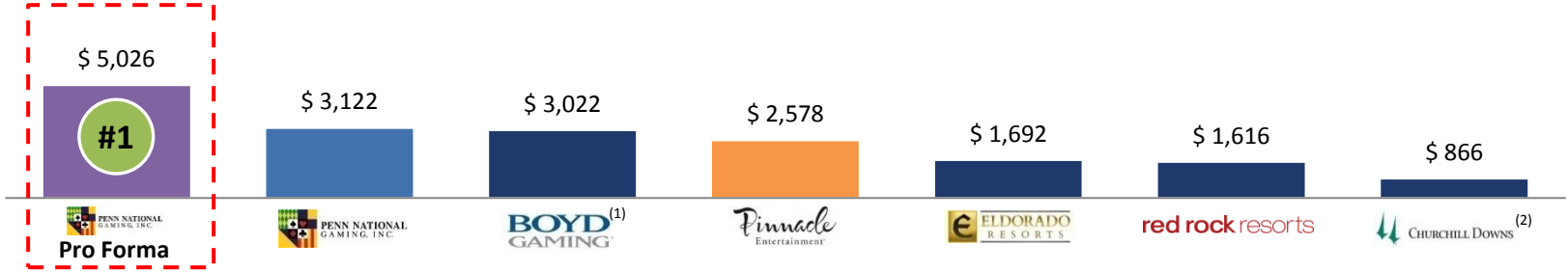
(4) At assumed close in 2H 2018. Assumes 8.0x rent multiple for lease payments on Meadows, Plainridge Park, Belterra Park, and \$13.9 million Pinnacle Master Lease rent adjustment.

(5) Includes Penn National joint venture assets.

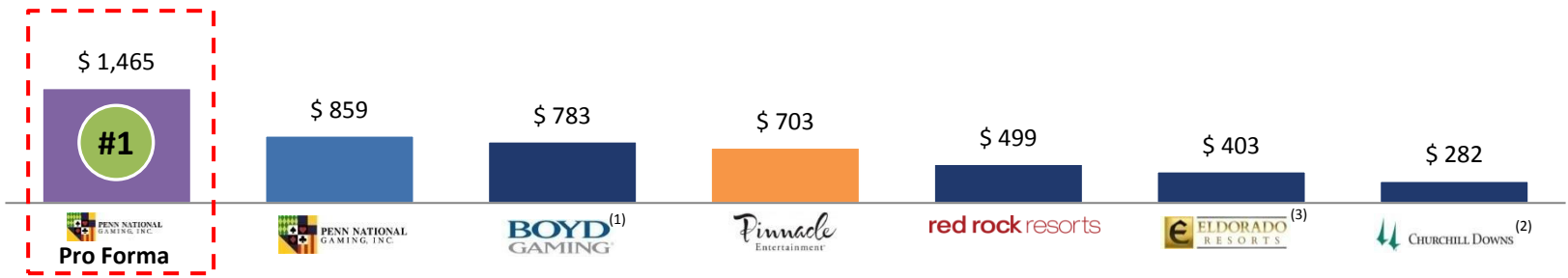
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# Enhances Penn National's Position as the Leading US Regional Gaming Operator

## 3Q 2017 LTM Net Revenue (\$ millions)



## 3Q 2017 LTM Adj. EBITDAR (\$ millions)



Source: Company filings

Note: Caesars, Las Vegas Sands, MGM, and Wynn excluded given their significant exposure to destination-market properties.

- (1) Pro forma for Divestiture Assets acquired.
- (2) Excludes Revenue and EBITDA contribution of Big Fish Games, which is under contract to be sold.
- (3) Pro Forma for \$35 million estimated synergies announced from the ISLE acquisition, of which \$12.5 million have been realized through September 30, 2017 per public filings.

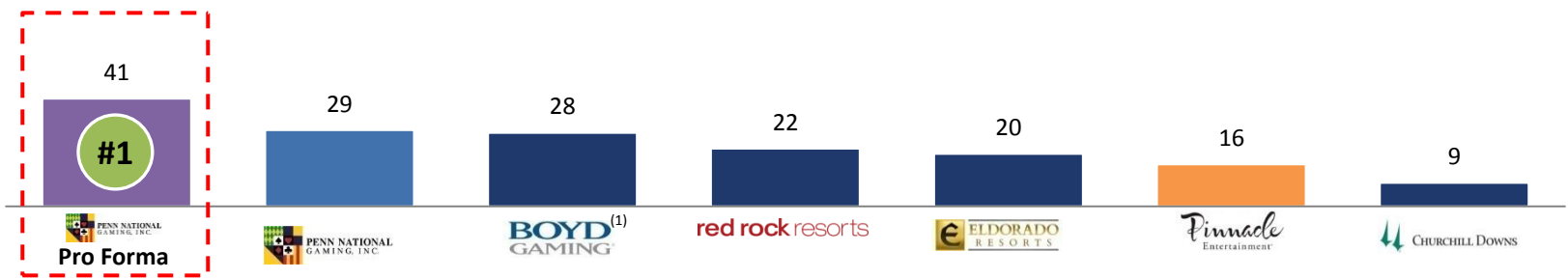




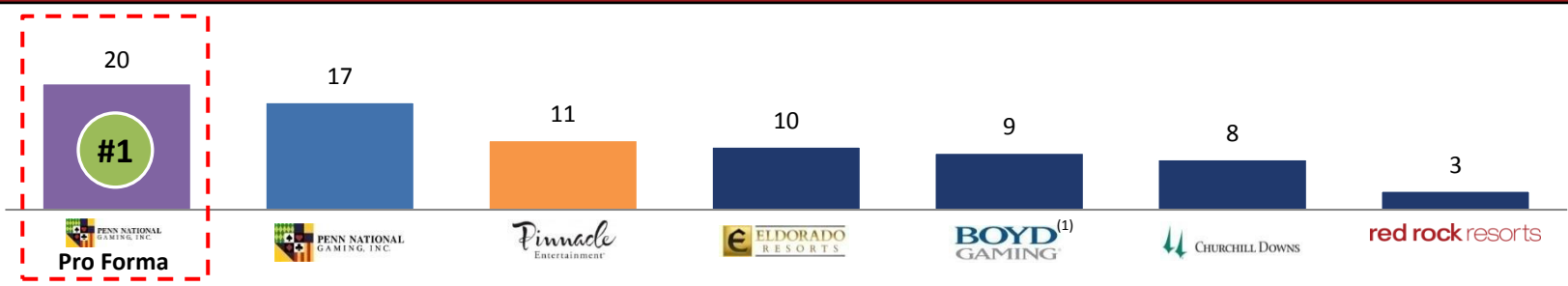
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# Enhances Penn National's Position as the Leading US Regional Gaming Operator

## Number of Properties



## Number of Jurisdictions



Source: Company filings

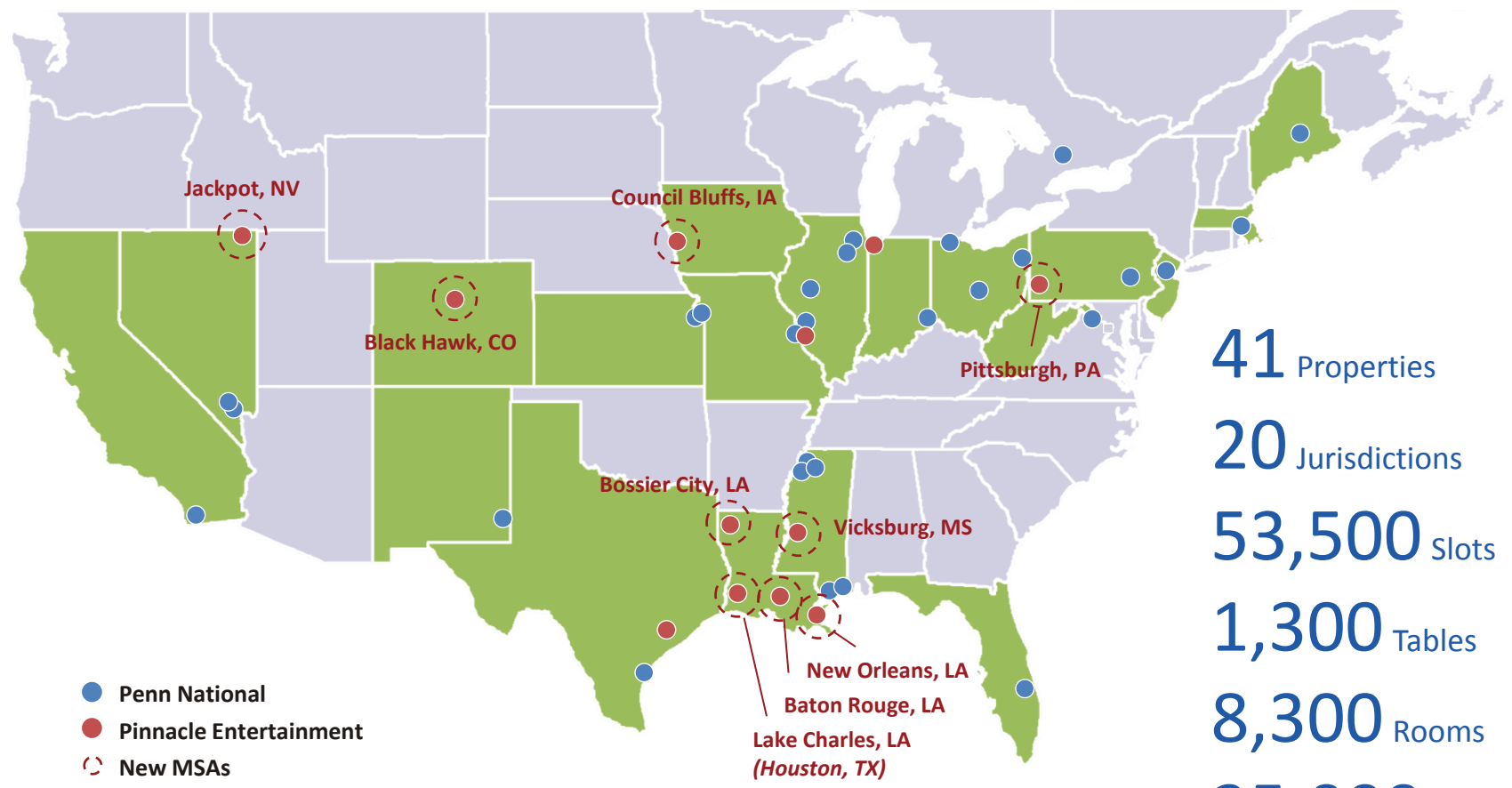
Note: Caesars, Las Vegas Sands, MGM, and Wynn excluded given their significant exposure to destination-market properties.

(1) Pro forma for Divestiture Assets acquired.



2

# Increases Geographic Diversification with Highly Complementary Properties



41 Properties  
20 Jurisdictions  
53,500 Slots  
1,300 Tables  
8,300 Rooms  
35,000+ Employees



Note: Excludes Divestiture Assets. Does not include Retail Gaming and Penn Interactive Ventures.

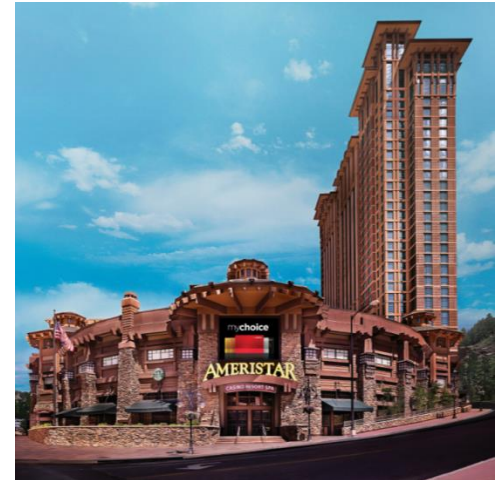
# 3 Best-in-Class Regional Properties



*L'Auberge Lake Charles (Lake Charles, LA)*



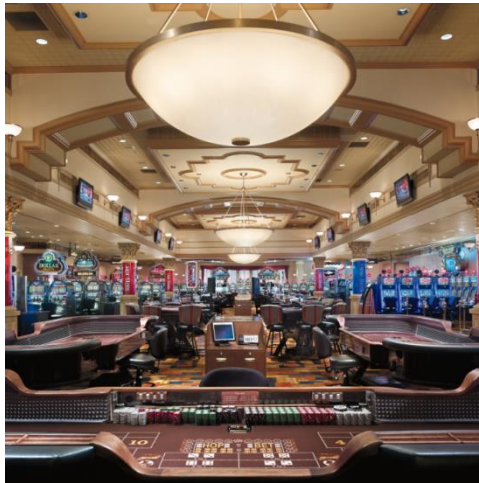
*L'Auberge Baton Rouge (Baton Rouge, LA)*



*Ameristar Black Hawk (Black Hawk, CO)*



*River City Casino & Hotel (St. Louis, MO)*



*Ameristar Council Bluffs (Council Bluffs, IA)*



*The Meadows Casino (Washington, PA)*



# 4 Meaningful Realizable Synergies

## Cost Synergies

### Corporate Overhead

- Management will be comprised of the best qualified individuals
- Eliminate redundant corporate overhead functions
- Modest cost to scale operations and integrate properties

### Operational Efficiencies

- Leverage economies of scale and enhanced purchasing power
- Marketing activities targeted to a larger customer base
- Opportunity for meaningful labor efficiencies and savings from procurement, energy projects, marketing activities, and sharing best practices
- Pinnacle's brands to be maintained; no significant expenses to integrate properties

## Additional Upside

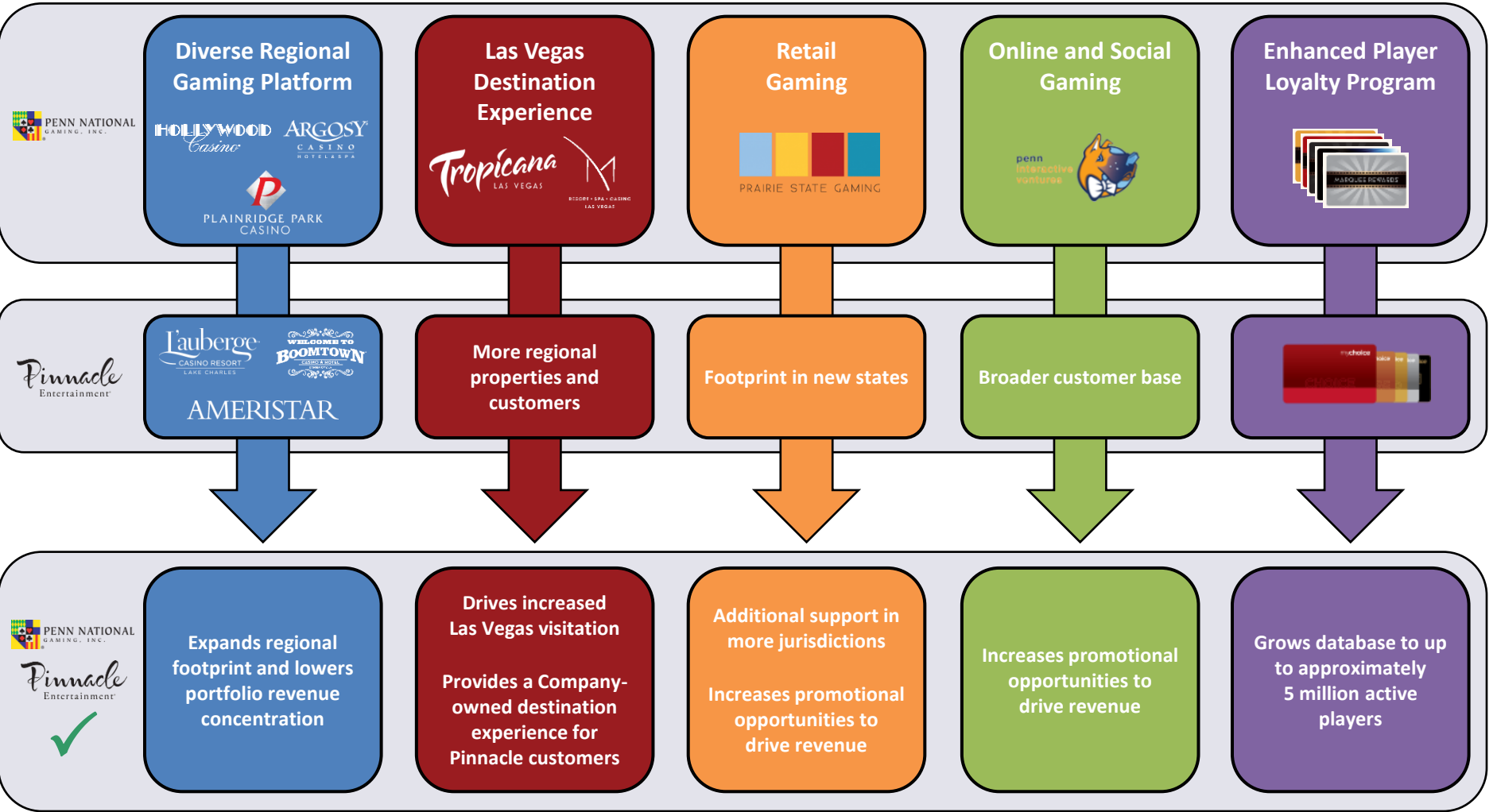
- Increase Tropicana Las Vegas and M Resort upside by targeting an expanded population of regional gaming customers
- Broader portfolio enhances cross-property visitation
- Pro forma rewards program immediately becomes one of the industry's leading loyalty programs
- Social gaming upside from enhanced customer database

**\$100 million  
in estimated  
run-rate  
cost synergies**

**Significant  
potential  
upside**

5

# Accelerates Innovative Growth Strategy and Enhanced Customer Experience



# Transaction Financing Summary



# Financing Overview

- Committed 13 month<sup>(1)</sup> financing package of \$1,980 million
- Closing rent-adjusted leverage anticipated to be 5.5x – 5.7x (5.3x – 5.5x net rent-adjusted leverage)
- Acquisition debt anticipated to be new incremental Term Loan B
- Near term focus on acquisition integration and prioritization of cash flow for debt reduction
- Closing anticipated in 2H 2018

## Anticipated Sources & Uses at Closing (\$ in millions)

### Sources

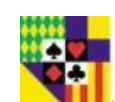
New Term Loan B	\$ 1,250
Penn National Stock Consideration	790
Net After-Tax Proceeds from Asset Sales	837
Cash Flow from Operations / Balance Sheet (Net)	194
<b>Total Sources</b>	<b>\$ 3,071</b>

### Uses

Purchase of Pinnacle Equity	\$ 2,056
Repayment of Pinnacle Bank Debt	334
Redemption of Pinnacle Notes Due 2024	531
Estimated Fees and Expenses	150
<b>Total Uses</b>	<b>\$ 3,071</b>

(1) 10.5 month commitment with one 2.5 month extension.

# Supplemental Information





# Illustrative Transaction Bridge

(\$ in millions)	Acquisition of Pinnacle	Anticipated Run-Rate Synergies	Sale of Divestiture Assets to Boyd <sup>(1)</sup>	GLPI Master Lease Adjustments	Sale Leaseback with GLPI <sup>(2)</sup>	Est. Pinnacle FCF / Impact of Taxes <sup>(3)</sup>	Cumulative Net Impact
Transaction Value	\$ 2,755	--	\$(575)	--	\$(315)	\$(151)	\$ 1,714
LTM EBITDA as of 3Q 2017	\$ 299	\$ 100	\$(92)	\$(14)	\$(32)	--	\$ 261
<b>Implied LTM EBITDA Multiple</b>	<b>9.2 x</b>						<b>6.6 x</b>

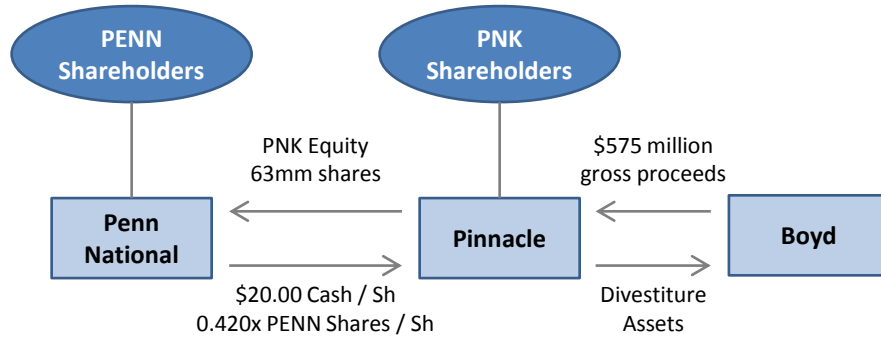
(1) Prior to impact of applicable taxes. Represents EBITDA from Divestiture Assets, net of lease payments.

(2) Prior to impact of applicable taxes. Represents rent from Plainridge Park and Belterra Park of \$25 million and \$7 million, respectively.

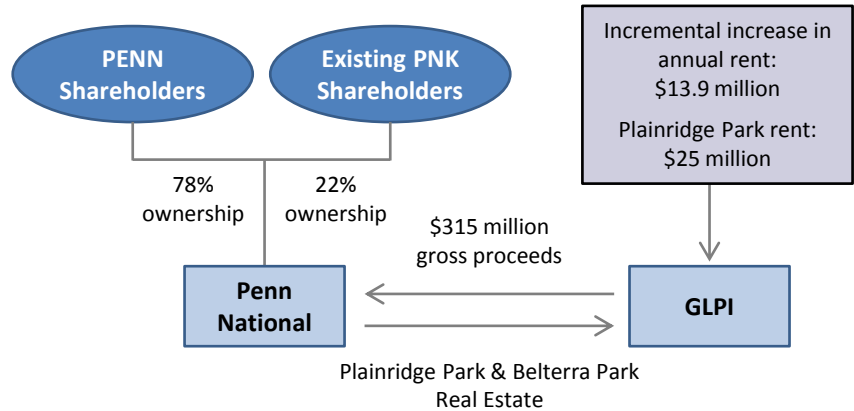
(3) Represents estimated cash flow of Pinnacle between announcement of Pinnacle Transaction to anticipated closing date in 2H 2018, net of estimated tax impact of asset sales.

# Summary Transaction Mechanics

## Acquisition of Pinnacle and Sale of Divestiture Assets to Boyd



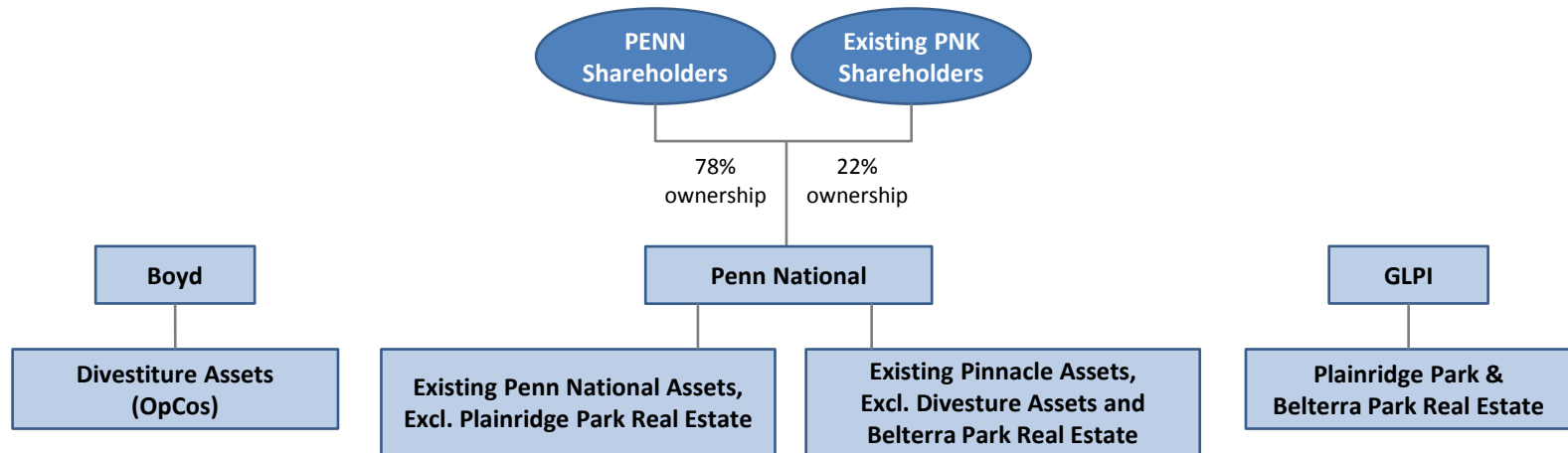
## Sale Leaseback and Master Lease Adjustments with GLPI



Penn National acquires Pinnacle and simultaneously agrees to sell the Divestiture Assets to Boyd for \$575 million

Penn National agrees to execute a sale leaseback of Plainridge Park and Belterra Park (OpCo to be owned by Boyd) with GLPI for \$315 million, and also agrees to increase annual Master Lease payments by \$25 million related to Plainridge Park and \$13.9 million to adjust to market conditions

## Outcome



# Summary Property Overview

## Penn National

Property	State	Machines	Tables <sup>(1)</sup>	Rooms
Argosy Alton	IL	827	12	–
Argosy Riverside	MO	1,513	38	258
Bally's Casino Tunica	MS	947	16	–
Boomtown Biloxi	MS	897	14	–
Casino Rama <sup>(3)</sup>	ON	2,543	98	289
Freehold Raceway <sup>(2)</sup>	NJ	–	–	–
Hollywood Aurora	IL	1,100	21	–
Hollywood Bangor	ME	778	14	152
Hollywood Charles Town	WV	2,527	86	153
Hollywood Columbus	OH	2,249	70	–
Hollywood Dayton Raceway	OH	1,005	–	–
Hollywood Gulf Coast	MS	1,096	18	291
Hollywood Jamul <sup>(3)</sup>	CA	1,731	40	–
Hollywood Joliet	IL	1,100	18	100
Hollywood Kansas Speedway <sup>(2)</sup>	KS	2,000	41	–
Hollywood Lawrenceburg	IN	1,758	62	295
Hollywood Mahoning Valley	OH	986	–	–
Hollywood Penn Nat'l Race Course	PA	2,389	56	–
Hollywood St. Louis	MO	2,000	63	502
Hollywood Toledo	OH	2,044	59	–
Hollywood Tunica	MS	1,040	17	494
M Resort	NV	1,320	40	390
Plainridge Park	MA	1,250	–	–
Prairie State Gaming	IL	1,437	–	–
Resorts Casino Tunica	MS	800	9	201
Sam Houston Race Park <sup>(2)</sup>	TX	–	–	–
Sanford-Orlando Kennel Club	FL	–	–	–
Tropicana Las Vegas	NV	671	35	1,470
Zia Park Casino	NM	750	–	154
<b>Total</b>		<b>36,758</b>	<b>802</b>	<b>4,749</b>

## Pinnacle

Property	State	Machines	Tables	Rooms
Ameristar Black Hawk	CO	1,180	62	535
Ameristar Council Bluffs	IA	1,465	24	444
Ameristar East Chicago	IN	1,729	68	288
★ Ameristar Kansas City	MO	2,154	71	184
★ Ameristar St. Charles	MO	2,410	104	397
Ameristar Vicksburg	MS	1,404	42	149
★ Belterra Casino Resort	IN	1,165	47	662
★ Belterra Park	OH	1,376	–	–
Boomtown Bossier City	LA	865	16	187
Boomtown New Orleans	LA	1,206	33	150
Cactus Petes	NV	764	20	416
L'Auberge Baton Rouge	LA	1,440	49	205
L'Auberge Lake Charles	LA	1,547	75	995
Meadows	PA	3,114	67	–
Retama Park Racetrack <sup>(2,3)</sup>	TX	–	–	–
River City	MO	1,938	52	200
<b>Total</b>		<b>23,757</b>	<b>730</b>	<b>4,812</b>
<b>Total Excluding Divestiture Assets</b>		<b>16,652</b>	<b>508</b>	<b>3,569</b>

★ Divestiture Assets

★ Sale Leaseback – Boyd Master Lease

● Sale Leaseback – Amended Pinnacle Master Lease

Note: Properties sorted alphabetically.

(1) Excludes poker tables.

(2) Pursuant to a joint venture with a third party.

(3) Pursuant to a management contract.

# Summary of Pro Forma Leases

## Amended Pinnacle Master Lease (Operator: Penn National)

- Ameristar Council Bluffs
- Ameristar Black Hawk
- Ameristar East Chicago
- Ameristar Vicksburg
- Boomtown Bossier City
- Boomtown New Orleans
- Cactus Petes and Horseshu
- L'Auberge Baton Rouge
- L'Auberge Lake Charles
- River City
- Plainridge Park

## Penn National Master Lease (Operator: Penn National)

- Assets under existing Penn Master Lease

## Meadows Lease (Operator: Penn National)

- Meadows

## Boyd Master Lease (Operator: Boyd Gaming)

- Ameristar Kansas City
- Ameristar St. Charles
- Belterra Park
- Belterra Casino Resort

