

# MGM Growth Properties LLC Reports Second Quarter Financial Results

LAS VEGAS, Aug. 8, 2017 /PRNewswire/ -- MGM Growth Properties LLC ("MGP" or the "Company") (NYSE: MGP) today reported financial results for the quarter ended June 30, 2017. Net income attributable to MGP Class A shareholders for the quarter was \$10.7 million, or \$0.18 per dilutive share.

Financial highlights for the second quarter of 2017:

- Rental revenue was \$163.2 million;
- Net income was \$43.9 million, or \$0.18 per diluted Operating Partnership unit;
- Funds From Operations<sup>(1)</sup> ("FFO") was \$114.7 million, or \$0.47 per diluted Operating Partnership unit;
- Adjusted Funds From Operations<sup>(2)</sup> ("AFFO") was \$121.7 million, or \$0.50 per diluted Operating Partnership unit;
- Adjusted EBITDA<sup>(3)</sup> was \$162.7 million; and
- General and administrative expenses were \$2.7 million.

"In the quarter, we celebrated our first anniversary of being a public company and received our first rent escalator under the Master Lease," said James Stewart, CEO of MGM Growth Properties. "The \$12 million increase in annual rent and related increase to AFFO per share allowed us to increase our dividend to \$1.58 representing a \$0.03 increase from our prior annual dividend rate and a more than 10% increase from our dividend at IPO. We are encouraged by our ability to sustainably grow the dividend twice in the last year and look forward to future opportunities to continue to grow the dividend."

The following table provides a reconciliation of MGP's net income to FFO, AFFO and Adjusted EBITDA for the three months ended June 30, 2017 (*in thousands, except unit and per unit amounts*):

	<b>Three Months Ended June 30, 2017</b>	
<b><u>Reconciliation of Non-GAAP Financial Measures</u></b>		
<b>Net income (loss)</b>	\$	43,875
Depreciation		60,227
Property transactions, net		10,587
<b>Funds From Operations</b>		<b>114,689</b>
Amortization and write-off of financing costs and cash flow hedge amortization		3,702
Non-cash compensation expense		362
Net effect of straight-line rent and amortization of deferred revenue		1,611
Acquisition-related expenses		—
Amortization of above market lease, net		172
Provision for income taxes		1,177
<b>Adjusted Funds From Operations</b>		<b>121,713</b>
Interest income		(881)
Interest expense		44,818
Amortization of financing costs and cash flow hedge amortization		(2,904)
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>162,746</b>

**Weighted average Operating Partnership units outstanding**

Basic	243,049,694
Diluted	243,216,224

**Net income per Operating Partnership units outstanding**

Basic	\$	0.18
Diluted	\$	0.18

**FFO per Operating Partnership unit**

Diluted	\$	0.47
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**AFFO per Operating Partnership unit**

Diluted	\$	0.50
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**Financial Position**

The Company had \$376.8 million of cash and cash equivalents as of June 30, 2017. Cash received from rent payments under the master lease for the three months ended June 30, 2017 was \$165.4 million.

On July 14, 2017, MGM Growth Properties Operating Partnership LP ("Operating Partnership") made a cash distribution of \$96.0 million relating to the second quarter dividend declared with respect to the Operating Partnership units, \$73.2 million of which was paid to subsidiaries of MGM Resorts International and \$22.8 million was paid to MGP. Simultaneously, MGP paid a cash dividend of \$0.3950 per Class A share.

"Since our IPO, we are pleased with what we've accomplished in terms of acquisitions, growth and strengthening the balance sheet," said Andy Chien, CFO of MGM Growth Properties. "We continue to position the Company and balance sheet for sustainable dividend growth, which we were able to demonstrate this quarter. The improvement in our term loan B and interest rate swap pricing, further demonstrate that our conservative balance sheet will continue to support the growth of our portfolio and increase shareholder value."

The Company's long-term debt at June 30, 2017 was as follows (*in thousands*):

	<u>June 30, 2017</u>
Senior Secured Credit Facility:	
Term Loan A Facility	\$ 281,250
Term Loan B Facility	1,826,875
Revolving Credit Facility	—
5.625% Senior Notes due 2024	1,050,000
4.50% Senior Notes due 2026	500,000
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Total principal amount of long-term debt	3,658,125
Less: unamortized debt issuance costs	(56,911)
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Total long-term debt, net of unamortized debt issuance costs	<u>\$ 3,601,214</u>

**Conference Call Details**

MGP will host a conference call at 12:30 p.m. Eastern Time today which will include a brief discussion of these results followed by a question and answer period. The call will be accessible via the Internet through [www.mgmgrowthproperties.com](http://www.mgmgrowthproperties.com) under the Investors section or by calling 1-888-317-6003 for domestic callers and 1-412-317-6061 for international callers. The conference call access code is 0924783. A replay of the call will be available through Tuesday, August 15, 2017. The replay may be accessed by dialing 1-877-344-7529 or 1-412-317-0088. The replay access code is 10110339. The call will be archived at [www.mgmgrowthproperties.com](http://www.mgmgrowthproperties.com). In addition, MGP will post supplemental slides today on its website at [www.mgmgrowthproperties.com/events-and-presentations](http://www.mgmgrowthproperties.com/events-and-presentations) for reference during its August 8, 2017 earnings call.

- 1 Funds From Operations ("FFO") is net income (computed in accordance with U.S. GAAP), excluding gains and losses from sales or disposals of property (presented as property transactions, net), plus real estate depreciation, as defined by the National Association of Real Estate Investment Trusts ("NAREIT").
- 2 Adjusted Funds From Operations ("AFFO") is FFO as adjusted for amortization and write-off of financing costs and cash flow hedge amortization, the net amortization of the above market lease, non-cash compensation expense, acquisition related expenses, provision for income taxes and the net effect of straight-line rents and amortization of deferred revenue.
- 3 Adjusted EBITDA is net income (computed in accordance with U.S. GAAP) as adjusted for gains and losses from sales or disposals of property (presented as property transactions, net), real estate depreciation, interest income, interest expense (including amortization financing costs and cash flow hedge amortization), write-off of financing costs, the net amortization of the above market lease, non-cash compensation expense, acquisition related expenses, provision for income taxes and the net effect of straight-line rents and amortization of deferred revenue.

FFO, FFO per unit, AFFO, AFFO per unit and Adjusted EBITDA are supplemental performance measures that have not been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") that management believes are useful to investors in comparing operating and financial results between periods. Management believes that this is especially true since these measures exclude real estate depreciation and amortization expense and management believes that real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes such a presentation also provides investors with a meaningful measure of the Company's operating results in comparison to the operating results of other REITs. Adjusted EBITDA is useful to investors to further supplement AFFO and FFO and to provide investors a performance metric which excludes interest expense. In addition to non-cash items, the Company adjusts AFFO and Adjusted EBITDA for acquisition-related expenses. While we do not label these expenses as non-recurring, infrequent or unusual, management believes that it is helpful to adjust for these expenses when they do occur to allow for comparability of results between periods because each acquisition is (and will be) of varying size and complexity and may involve different types of expenses depending on the type of property being acquired and from whom. This revision to such calculations had no significant impact on our AFFO and Adjusted EBITDA as reported in prior periods.

FFO, FFO per unit, AFFO, AFFO per unit and Adjusted EBITDA do not represent cash flow from operations as defined by U.S. GAAP, should not be considered as an alternative to net income as defined by U.S. GAAP and are not indicative of cash available to fund all cash flow needs. Investors are also cautioned that FFO, FFO per unit, AFFO, AFFO per unit and Adjusted EBITDA as presented, may not be comparable to similarly titled measures reported by other REITs due to the fact that not all real estate companies use the same definitions.

Reconciliations of net income (loss) to FFO, AFFO and Adjusted EBITDA are included in this release.

### **About MGM Growth Properties**

MGM Growth Properties LLC (NYSE:MGP) is one of the leading publicly traded real estate investment trusts engaged in the acquisition, ownership and leasing of large-scale destination entertainment and leisure resorts, whose diverse amenities include casino gaming, hotel, convention, dining, entertainment and retail offerings. MGP currently owns a portfolio of properties acquired from MGM Resorts, consisting of ten premier destination resorts in Las Vegas and elsewhere across the United States and one dining and entertainment complex which opened in April 2016. As of December 31, 2016, these properties collectively comprise 27,233 hotel rooms, over 2.6 million convention square footage, over 100 retail outlets, over 200 food and beverage outlets and over 20 entertainment venues. As a growth-oriented public real estate entity, MGP expects its relationship with MGM Resorts and other entertainment providers to attractively position MGP for the acquisition of additional properties across the entertainment, hospitality and leisure industries that MGM Resorts or other entertainment providers may develop in the future. For more information about MGP, visit the Company's website at <http://www.mgmgrowthproperties.com>.

This release includes "forward-looking" statements and "safe harbor statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and/or uncertainties, including those described in MGP's public filings with the Securities and Exchange Commission. MGP has based forward-looking statements on management's current expectations and assumptions and not on historical facts. Examples of these statements include, but are not limited to, MGP's expectations regarding its ability to further grow its dividend and drive shareholder value. These forward-looking statements involve a number of risks and uncertainties. Among the important factors that could cause actual results to differ materially from those indicated in such forward-looking statements include risks related to MGP's ability to receive, or delays in obtaining, any regulatory approvals required to own its properties, or other delays or impediments to completing MGP's planned acquisitions or projects, including any acquisitions of properties from MGM; the ultimate timing and outcome of

any planned acquisitions or projects; MGP's ability to maintain its status as a REIT; the availability of and the ability to identify suitable and attractive acquisition and development opportunities and the ability to acquire and lease those properties on favorable terms; MGP's ability to access capital through debt and equity markets in amounts and at rates and costs acceptable to MGP; changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs or to the gaming or lodging industries; and other factors described in MGP's periodic reports filed with the Securities and Exchange Commission. In providing forward-looking statements, MGP is not undertaking any duty or obligation to update these statements publicly as a result of new information, future events or otherwise, except as required by law. If MGP updates one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those other forward-looking statements.

**MGM GROWTH PROPERTIES LLC**  
**CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(In thousands, except share and per share amounts)*  
*(Unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Revenues</b>				
Rental revenue	\$ 163,177	\$ 101,253	\$ 326,354	\$ 101,253
Tenant reimbursements and other	21,279	9,650	42,001	9,650
	<u>184,456</u>	<u>110,903</u>	<u>368,355</u>	<u>110,903</u>
<b>Expenses</b>				
Depreciation	60,227	53,123	121,911	104,600
Property transactions, net	10,587	335	17,442	1,209
Property taxes	20,642	13,305	41,129	26,541
Property insurance	—	559	—	2,943
Amortization of above market lease, net	172	—	343	—
Acquisition-related expenses	—	599	—	599
General and administrative	2,661	3,789	5,341	3,789
	<u>94,289</u>	<u>71,710</u>	<u>186,166</u>	<u>139,681</u>
<b>Operating income (loss)</b>	90,167	39,193	182,189	(28,778)
<b>Non-operating income (expense)</b>				
Interest income	881	—	1,559	—
Interest expense	(44,818)	(29,475)	(89,454)	(29,475)
Other non-operating	(1,178)	(72)	(1,312)	(72)
	<u>(45,115)</u>	<u>(29,547)</u>	<u>(89,207)</u>	<u>(29,547)</u>
<b>Income (loss) before income taxes</b>	45,052	9,646	92,982	(58,325)
Provision for income taxes	(1,177)	—	(2,415)	—
<b>Net income (loss)</b>	43,875	9,646	90,567	(58,325)
Less: Net (income) loss attributable to noncontrolling interest	(33,195)	(2,693)	(68,539)	65,278
<b>Net income attributable to Class A shareholders</b>	<u>\$ 10,680</u>	<u>\$ 6,953</u>	<u>\$ 22,028</u>	<u>\$ 6,953</u>

**Weighted average Class A shares outstanding:**

Basic	57,687,558	57,500,000	57,596,223	57,500,000
Diluted	57,854,088	57,739,166	57,818,511	57,739,166

**Net income per share attributable to Class A shareholders:**

Basic	\$ 0.19	\$ 0.12	\$ 0.38	\$ 0.12
Diluted	\$ 0.18	\$ 0.12	\$ 0.38	\$ 0.12

**MGM GROWTH PROPERTIES LLC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except share amounts)*  
*(Unaudited)*

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>ASSETS</b>		
Real estate investments, net	\$ 8,957,622	\$ 9,079,678
Cash and cash equivalents	376,842	360,492
Tenant and other receivables, net	4,166	9,503
Prepaid expenses and other assets	8,819	10,906
Above market lease, asset	45,374	46,161
<b>Total assets</b>	<u>\$ 9,392,823</u>	<u>\$ 9,506,740</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Debt, net	\$ 3,601,214	\$ 3,621,942
Due to MGM Resorts International and affiliates	233	166
Accounts payable, accrued expenses and other liabilities	8,829	10,478
Above market lease, liability	47,513	47,957
Accrued interest	17,580	26,137
Dividend payable	95,995	94,109
Deferred revenue	88,747	72,322
Deferred income taxes, net	25,368	25,368
Total liabilities	3,885,479	3,898,479
<b>Commitments and contingencies</b>		
<b>Shareholders' equity</b>		
Class A shares: no par value, authorized 1,000,000,000 shares, issued and outstanding 57,664,149 and 57,500,000 shares	—	—
Additional paid-in capital	1,370,370	1,363,130
Accumulated deficit	(56,914)	(29,758)

Accumulated other comprehensive income	(680)	445
Total Class A shareholders' equity	1,312,776	1,333,817
Noncontrolling interest	4,194,568	4,274,444
Total shareholders' equity	5,507,344	5,608,261
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,392,823</b>	<b>\$ 9,506,740</b>

For further information: Investment Community, ANDY CHIEN, Chief Financial Officer, MGM Growth Properties LLC, (702) 669-1470; News Media, (702) 669-1480 or [media@mgpreit.com](mailto:media@mgpreit.com)

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<http://www.mgmgrowthproperties.com/2017-08-08-MGM-Growth-Properties-LLC-Reports-Second-Quarter-Financial-Results>