

# MGM Growth Properties LLC Reports First Quarter Financial Results

LAS VEGAS, April 26, 2018 /PRNewswire/ -- MGM Growth Properties LLC ("MGP" or the "Company") (NYSE: MGP) today reported financial results for the quarter ended March 31, 2018. Net income attributable to MGP Class A shareholders for the quarter was \$15.8 million, or \$0.22 per dilutive share.

Financial highlights for the first quarter of 2018:

- Rental revenue was \$186.6 million;
- Net income was \$58.2 million, or \$0.22 per diluted Operating Partnership unit;
- Funds From Operations<sup>(1)</sup> ("FFO") was \$131.2 million, or \$0.49 per diluted Operating Partnership unit;
- Adjusted Funds From Operations<sup>(2)</sup> ("AFFO") was \$140.6 million, or \$0.53 per diluted Operating Partnership unit;
- Adjusted EBITDA<sup>(3)</sup> was \$185.7 million; and
- General and administrative expenses were \$3.9 million.

On April 4, 2018, MGP entered into an agreement with Milstein Entertainment LLC to acquire the Hard Rock Rocksino Northfield Park ("Rocksino") for approximately \$1.06 billion. The agreement provides that a taxable REIT subsidiary wholly owned by the Operating Partnership will acquire 100% of the issued and outstanding limited liability company interests in Northfield Park Associates LLC, which owns and operates the Rocksino. The transaction is expected to close in the second half of 2018 and is subject to customary closing conditions and regulatory approvals.

"MGP is off to a successful start in 2018 in what will be an exciting year for our shareholders. The second base rent escalator under our Master Lease of 2% went into effect on April 1, 2018, resulting in an annual rent amount of \$770.3 million for our third lease year," said James Stewart, CEO of MGM Growth Properties. "On April 4th, we entered into an agreement to purchase the Hard Rock Rocksino Northfield Park. The property is a market leader in the region and further diversifies our holdings geographically. We anticipate the property will add \$50 - 60 million of annual rent, which is expected to represent a rent coverage of approximately 1.8x. The attractive addition to our portfolio is expected to result in mid to high single digit accretion to AFFO per share. We expect to ultimately sell the entities holding the licenses and operating assets to a third-party operator. We are looking forward to closing the transaction in the second half of 2018 and continuing to execute on our business strategy."

The following table provides a reconciliation of MGP's net income to FFO, AFFO and Adjusted EBITDA for the three months ended March 31, 2018 (*in thousands, except unit and per unit amounts*):

|   | <b>Three Months Ended<br/>March 31, 2018</b> |        |
|---|--|--------|
| <b><u>Reconciliation of Non-GAAP Financial Measures</u></b> |  |        |
| Net income  | \$   | 58,169 |
| Depreciation  |  | 68,991 |
| Property transactions, net                                  |  | 4,086  |

|   |                   |
|---|-------------------|
| <b>Funds From Operations</b>  | 131,246           |
| Amortization of financing costs and cash flow hedges                  | 3,109             |
| Non-cash compensation expense   | 384               |
| Net effect of straight-line rent and amortization of deferred revenue | 1,696             |
| Acquisition-related expenses  | 541               |
| Amortization of above market lease, net                               | 171               |
| Other non-operating expenses  | 2,184             |
| Provision for income taxes  | 1,231             |
| <b>Adjusted Funds From Operations</b>                                 | <b>140,562</b>    |
| Interest income   | (1,032)           |
| Interest expense  | 49,230            |
| Amortization of financing costs and cash flow hedges                  | (3,109)           |
| <b>Adjusted EBITDA</b>  | <b>\$ 185,651</b> |
| <b>Weighted average Operating Partnership units outstanding</b>       |                   |
| Basic   | 266,104,264       |
| Diluted   | 266,265,043       |
| <b>Net income per Operating Partnership units outstanding</b>         |                   |
| Basic   | \$ 0.22           |
| Diluted   | \$ 0.22           |
| <b>FFO per Operating Partnership unit</b>                             |                   |
| Diluted   | \$ 0.49           |
| <b>AFFO per Operating Partnership unit</b>                            |                   |
| Diluted   | \$ 0.53           |

### **Financial Position**

The Company had \$280.1 million of cash and cash equivalents as of March 31, 2018. Cash received from rent payments under the master lease for the three months ended March 31, 2018 was \$189.2 million. In addition, effective as of April 1, 2018, annual rent payments due under the master lease increased to \$770.3 million.

On April 13, 2018, MGM Growth Properties Operating Partnership LP ("Operating Partnership") made a cash distribution of \$111.7 million relating to the first quarter dividend declared with respect to the Operating Partnership units, \$81.9 million of which was paid to subsidiaries of MGM Resorts and \$29.8 million was paid to MGP. Simultaneously, MGP paid a cash dividend of \$0.42 per Class A share.

The Company successfully amended the Operating Partnership's \$1.813 billion term loan B facility to reduce the interest rate to LIBOR plus 2.00%, which represents a 25 basis point reduction compared to the prior rate of LIBOR plus 2.25%. The amendment also included an extension of the maturity of the term loan B facility by 2 years to March 23, 2025 and was repriced at 99.75%. In addition, the Operating Partnership will receive a further reduction to the interest rate to LIBOR plus 1.75% upon a corporate rating upgrade by either S&P or Moody's. The effectiveness of the maturity extension is subject to certain conditions, which are expected to occur in May 2018.

"In the first quarter of 2018, MGP repriced the Term Loan B credit facility to a new rate of L+2.00%, resulting in an annual cash interest expense savings of \$4.5 million," said Andy Chien, CFO of MGM Growth Properties. "Continuing to improve our capital structure remains a top priority as part of our objective to deliver value for our shareholders. Maintaining a strong balance sheet allows us to be in position to pursue acquisitions such as the Hard Rock Rocksino Northfield Park and accretively grow our portfolio."

The Company's long-term debt at March 31, 2018 was as follows (*in thousands*):

|  | <b>March 31, 2018</b> |
|--|-----------------------|
| Senior Secured Credit Facility:                              |                       |
| Term Loan A Facility   | \$ 270,000            |
| Term Loan B Facility   | 1,813,000             |
| Revolving Credit Facility                                    | —                     |
| 5.625% Senior Notes due 2024                                 | 1,050,000             |
| 4.50% Senior Notes due 2026                                  | 500,000               |
| 4.50% Senior Notes due 2028                                  | 350,000               |
| Total principal amount of long-term debt                     | <u>3,983,000</u>      |
| Less: unamortized debt issuance costs                        | <u>(57,797)</u>       |
| Total long-term debt, net of unamortized debt issuance costs | <u>\$ 3,925,203</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 <http://www.mgmgrowthproperties.com/events-and-presentations> or by calling 1-888-317-6003 for domestic callers and 1-412-317-6061 for international callers. The conference call access code is 4596359. A replay of the call will be available through Thursday, May 3, 2018. The replay may be accessed by dialing 1-877-344-7529 or 1-412-317-0088. The replay access code is 10118767. The call will be archived at [www.mgmgrowthproperties.com](http://www.mgmgrowthproperties.com).

- 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 of financing costs and cash flow hedges, amortization of the above market lease, net, non-cash compensation expense, acquisition related expenses, other non-operating 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 of financing costs and cash flow hedges), amortization of the above market lease, net, non-cash compensation expense, acquisition related expenses, other non-operating 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.

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 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, consisting of 11 premier destination resorts in Las Vegas and elsewhere across the United States, and the Park, a dining and entertainment complex which opened in April 2016. As of December 31, 2017, these properties collectively comprise over 27,500 hotel rooms, 2.7 million convention square footage, 100 retail outlets, 200 food and beverage outlets and 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 may be developed in the future. For more information about MGP, visit the Company's website at <http://www.mmgrowthproperties.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 meet its financial and strategic goals and its ability to further grow its portfolio and drive shareholder value, the expected closing of the Rocksino acquisition (as well as any expected benefits to be realized as a result of the acquisition, including any expected accretion or the amount of any future rent payments) and the extension of the term loan B facility. 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 period 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 CONSOLIDATED STATEMENTS OF OPERATIONS

*(In thousands, except share and per share amounts)*

*(Unaudited)*

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2018</b>                             | <b>2017</b> |
| <b>Revenues</b>                         |   |             |
| Rental revenue                          | \$ 186,563                              | \$ 163,177  |
| Tenant reimbursements and other         | 29,276                                  | 20,722      |
|   | 215,839                                 | 183,899     |
| <b>Expenses</b>                         |   |             |
| Depreciation                            | 68,991                                  | 61,684      |
| Property transactions, net              | 4,086                                   | 6,855       |
| Reimbursable expenses                   | 28,360                                  | 20,487      |
| Amortization of above market lease, net | 171                                     | 171         |

|  |                  |                  |
|--|------------------|------------------|
| Acquisition-related expenses                               | 541              | —                |
| General and administrative                                 | 3,908            | 2,680            |
|  | <u>106,057</u>   | <u>91,877</u>    |
| <b>Operating income</b>                                    | 109,782          | 92,022           |
| <b>Non-operating income (expense)</b>                      |                  |                  |
| Interest income  | 1,032            | 678              |
| Interest expense   | (49,230)         | (44,636)         |
| Other non-operating expenses                               | (2,184)          | (134)            |
|  | <u>(50,382)</u>  | <u>(44,092)</u>  |
| <b>Income before income taxes</b>                          | 59,400           | 47,930           |
| Provision for income taxes                                 | (1,231)          | (1,238)          |
| <b>Net income</b>  | 58,169           | 46,692           |
| Less: Net (income) attributable to noncontrolling interest | (42,339)         | (35,344)         |
| <b>Net income attributable to Class A shareholders</b>     | <u>\$ 15,830</u> | <u>\$ 11,348</u> |

**Weighted average Class A shares outstanding:**

|         |            |            |
|---------|------------|------------|
| Basic   | 70,970,141 | 57,506,195 |
| Diluted | 71,130,920 | 57,784,240 |

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

|         |         |         |
|---------|---------|---------|
| Basic   | \$ 0.22 | \$ 0.20 |
| Diluted | \$ 0.22 | \$ 0.20 |

**MGM GROWTH PROPERTIES LLC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands, except share amounts)*

*(Unaudited)*

|                              | <u>March 31,<br/>2018</u> | <u>December 31,<br/>2017</u> |
|------------------------------|---------------------------|------------------------------|
| <b>ASSETS</b>                |                           |                              |
| Real estate investments, net | \$ 9,949,410              | \$ 10,021,938                |

|                                   |                      |                      |
|-----------------------------------|----------------------|----------------------|
| Cash and cash equivalents         | 280,117              | 259,722              |
| Tenant and other receivables, net | 2,337                | 6,385                |
| Prepaid expenses and other assets | 33,936               | 18,487               |
| Above market lease, asset         | 44,194               | 44,588               |
| <b>Total assets</b>               | <b>\$ 10,309,994</b> | <b>\$ 10,351,120</b> |

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Liabilities

|  |              |              |
|--|--------------|--------------|
| Debt, net  | \$ 3,925,203 | \$ 3,934,628 |
| Due to MGM Resorts International and affiliates          | 302          | 962          |
| Accounts payable, accrued expenses and other liabilities | 4,596        | 10,240       |
| Above market lease, liability                            | 46,847       | 47,069       |
| Accrued interest   | 30,515       | 22,565       |
| Dividend payable   | 111,733      | 111,733      |
| Deferred revenue   | 129,708      | 127,640      |
| Deferred income taxes, net                               | 28,544       | 28,544       |
| Total liabilities  | 4,277,448    | 4,283,381    |

#### Commitments and contingencies

#### Shareholders' equity

Class A shares: no par value, 1,000,000,000 shares authorized, 70,896,795 shares issued and outstanding as of March 31, 2018 and December 31, 2017

|   |                      |                      |
|---|----------------------|----------------------|
|   | —                    | —                    |
| Additional paid-in capital                        | 1,716,700            | 1,716,490            |
| Accumulated deficit                               | (108,895)            | (94,948)             |
| Accumulated other comprehensive income            | 7,466                | 3,108                |
| Total Class A shareholders' equity                | 1,615,271            | 1,624,650            |
| Noncontrolling interest                           | 4,417,275            | 4,443,089            |
| Total shareholders' equity                        | 6,032,546            | 6,067,739            |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 10,309,994</b> | <b>\$ 10,351,120</b> |

SOURCE MGM Growth Properties LLC

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/2018-04-26-MGM-Growth-Properties-LLC-Reports-First-Quarter-Financial-Results>