MOHEGAN GAMING & ENTERTAINMENT

Moderator: Mario Kontomerkos
Wednesday, August 8, 2018
11:00 a.m. Eastern Daylight Time

OPERATOR: This is conference # 8281109

Operator: Good morning. My name is Sarah, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Mohegan Tribal Gaming Authority's Third Quarter Fiscal 2018 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers remarks, there'll be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad.

If you would like to withdraw your question, you may press the pound key. Thank you.

I will now turn the conference over to Mr. Peter Roberti, Vice President of Finance and Chief Accounting Officer. Please begin, sir.

Peter Roberti: Thank you, Sarah, and good morning, everyone. Thank you for joining our call this morning. Before we begin, I would like to remind everyone that our comments today may contain forward-looking statements made under the Safe Harbor provisions of the federal securities laws, and actual results may differ materially from any predictions contained in these statements.

In addition, our comments may also refer to non-GAAP financial measures. A reconciliation of these measures to corresponding GAAP financial measures can be found in our press release available on our website under the Financial Information/Financial Updates section at www.mohegangaming.com.

With that said, I'd like to turn the call over to Mario Kontomerkos, President and Chief Executive Officer of Mohegan Gaming & Entertainment. Mario?

Mario Kontomerkos: Thank you, Peter, and good morning, everyone. Before we begin, I'd like to introduce the participants of today's call. Today we are joined by the Chairman of the MGE Management Board, Kevin Brown. We also have Tom Burke, Chief Operating Officer of MGE; Drew Kelley, our newly on boarded CFO, and; Peter Roberti, our Vice President of Finance and Chief Accounting Officer who you just heard from; along with Chris Jones, our Vice President of Corporate Finance. In addition, we have a number of others in the room and on the phone that are available to answer any questions that you may have.

So as we begin today, the Chairman will provide some introductory comments. Tom Burke and Drew Kelley will then briefly discuss our operating results for the last quarter, and provide you with a brief overview of the balance sheet matters, after which, we can then open up the call for Q&A.

So with that, I'll turn the call over to the Chairman of the Mohegan Tribe and MGE Management Board, Kevin Brown. Kevin?

Kevin Brown: Thanks, Mario. Good morning, everyone. Thanks for joining today's call. We are pleased to report our fiscal 2018 third quarter earnings, which put us in a solid position for the imminent change in a competitive landscape in the region. I was just asked yesterday if we had been preparing for the competition. Our response is that we've been preparing for competition since the day we opened in 1996 from our peer competitor across the river to competition from Rhode Island, competition from New York and now from Massachusetts. It's not a dire situation, and we know how to proactively prepare. We've been through this before. This is our region. And we have 6,000 front line team members who are good at delivering incredible guest service, and they're ready for the fight.

The team's been focused strategically and operationally. Strategically, we've added new amenities this quarter, like our $80 million Expo and Convention Center, and we plan new experiences soon to come, like our recently announced 5 Diamond branded hotel experience for our VIP guests. Operationally, the teams been focused on cost containment here in Connecticut, while the portfolio outside of Connecticut continues to perform magnificently and is contributing to the bottom line.

I'm also happy to report we continue making significant progress on our development pipeline and our global diversification efforts. This starts with rounding out our C suite with critical hires and manifests and continued progress with our South Korean-based Inspire project, which is moving along smartly.

On that note, and always of interest to you, last quarter, we reported to you that South Korea saw a 10% lift in Chinese visitation in the month of March. That trend continues with a 49% lift in Chinese visitation in the month of June, portending a promising future for our 2021 opening of Inspire.

So thanks to all of you for dialing in to hear this good news and at this point, for a more detailed review, let me turn the call over now to our Chief Financial Officer of Mohegan Gaming and Entertainment, Drew Kelley. Drew?

Drew Kelley: Thanks, Kevin. Hello, everyone, and thank you for joining our call today. Before I begin the quarterly review in detail, I would like to take a few moments to mention we have begun to make changes to the way we report in the spirit of greater transparency and effectiveness in our communication. As a first step, we expect to file the 10-Q later today, and I anticipate future similar filings will be made available prior to our quarterly earnings calls.

Furthermore, we have also just made available supplemental information in a new presentation available on our website, specifically under the Financial Information and Financial Updates tab, and I encourage interested parties to review this presentation in connection with other information available in our traditional SEC filings.

Turning to results, overall fiscal 3rd quarter revenue and earnings performance was generally in line with prior year results. Variances to prior year results were largely due to lower entertainment revenues, driven, in part, by a less favorable entertainment calendar and in particular, fewer headliner shows in the recently completed period. As many are aware, this segment of our business is somewhat ‘seasonal’, and we are otherwise beholden to the acts and touring schedules. Overall, the recent entertainment trend is temporary, however, and as Tom will further demonstrate, we are very excited about the upcoming entertainment schedule.

Despite this non-gaming revenue issue, we were partially able to offset the decline through increased table game revenues, which benefited from higher year-over-year hold percentages. At the same time, our wholly owned properties in Connecticut and Pennsylvania continued to adjust their respective cost structures to mitigate a combination of challenging comparisons and the imposition of additional gaming tax in Pennsylvania. Again, Tom will speak further and in greater detail. But these operational cost containment initiatives, along with revenue enhancement measures, reflect the initial phases of a prolonged strategy to combat anticipated incremental competition in the New England gaming market.

Turning to our managed properties, we continue to be very pleased with performance at ilani. Located just north of Portland, Oregon, the property continues to gain traction, having just crossed its 1-year anniversary. Given this anniversary, I will note that the current period reflects an almost doubling of operating fees, while the prior period included material development fees associated with the property opening. Overall, while corporate results will continue to be somewhat lumpy, we believe the property's anticipated continued strong performance, likely refinancing and potential expansion will increasingly drive consistent growth going forward.

Speaking of developments, this quarter also marked considerable progress with our non-gaming development strategy. As Kevin mentioned, on May 31, we opened our $80 million, 150,000-square-foot-plus Mohegan Sun Exposition and Convention Center by hosting the legendary Barrett-Jackson auto auction with great success. Combined with our preexisting facilities, Mohegan Sun now offers over 275,000 square feet of meeting, incentive, convention and exhibition space, the largest in the region. We believe the Expo Center, along with several other planned enhancements, will continue to position Mohegan Sun as the premier gaming and entertainment destination in the Northeast for years to come.

Elsewhere, we continue to make progress on several development efforts in North America, South Korea and more broadly in Asia, in order to diversify and strengthen our revenue sources and credit profile. At Inspire, our South Korea development, we are encouraged by the continued and accelerating positive momentum in Chinese visitation, just one of the few pillars of success for this property. Importantly, we believe the project’s pre-development and related financing remains on track.

Overall, we are greatly appreciative to the people of Korea for the opportunity to develop a truly unique integrated resort in the region and look forward to providing updates on several new key developments in the coming few months.

Back in Connecticut, together with our joint venture partner, we continue to press forward with our casino project in East Windsor. Demolition of the existing buildings on site is now complete, and we are working through the various zoning and regulatory requirements required to ensure a quick start once our partner receives final and necessary approvals. Ultimately, we remain resolute in our plans to develop this key JV property despite attempts to block or delay the project.

Similarly, on sports wagering front, we are currently working with the state of Connecticut and our fellow tribal partner to reach a viable long-term agreement, and we are hopeful that we will have sports wagering active in our property in short order.

Finally, let me now provide a brief update on the Balance Sheet:

Our Total Leverage Ratio, calculated on a gross basis was 4.95x, with Total Debt, as defined under the Bank Credit Facility, of $1.79 billion, increasing by $73 million from the prior quarter. This increase was driven primarily by the impact of the 100% purchase of Inspire. Elsewhere, $84 million was drawn on our $250 million revolver as of June 30. After factoring in outstanding Letters of Credit, we had approximately $163.7 million available for borrowing, while Cash and Cash Equivalents totaled $201.1 million.

Overall, liquidity totaled approximately $287 million, net of Bankroll and Restricted Cash at the end of the quarter.

Finally, distributions to the Tribe from MGE totaled $15 million, while Capital Expenditures totaled $32.1 million for the quarter, comprised of maintenance capital expenditures of $11 million and $21 million of expansion and development cap ex, generally related to our Expo and Inspire projects.

With that, let me turn the call over to Tom, our Chief Operating Officer, to provide some of the highlights of both the wholly owned operating units and the managed property. Tom?

Tom Burke: All right. Good morning, and thank you, Drew. As you saw in the press release this morning, Net Revenues at Mohegan Sun decreased a modest 0.4%, while Adjusted EBITDA increased by a solid 3.8%. Slightly lower revenues reflected the impact of lower entertainment revenues, though partially offset by increased table game revenues. Volumes in table drop and slot handle were modestly down 2.8% and 0.7%, respectively, as compared to the prior year quarter, with overall earnings being positively impacted by hold at tables.

Hold for the quarter was 17.6%, up 130 basis points over last year's hold of 16.3%. We expect overall hold rates at the property to trend in our favor, as we benefit from some recent structural changes made to our gaming operations.

Non-gaming revenue and EBITDA was lower by $2.1M in the quarter, again, reflecting the impact of a lower show count on the property during the quarter. We had two less events in the period overall and importantly, only three headliners in the third quarter of '18, down from eleven in the third quarter of '17. The softer events schedule shouldn't be viewed as anything other than the timing of the concerts and tour schedules, as evidenced by U2 playing at the property on July 3rd , and what an honor for us that U2 opted to end their North American Tour at Mohegan Sun.

The Mohegan Sun Arena in Connecticut continues to be impressive and ranked globally. Recently released venues ranking by Pollstar for this time period have Mohegan Sun Arena #1 in the world and U.S. for a venue of its size. We beat out Radio City Music Hall and every casino venue in Las Vegas, to name a few.

In addition to U2, in July and early August, we have had Camila Cabello, Jason Mraz and Brittany Spears. Additionally, we look forward to welcoming shows by Brantley Gilbert, Janet Jackson, 3 Doors Down, Sugarland, Jeff Foxworthy, Keith Urban, Thomas Rhett, Blink 182 and six Connecticut Sun WNBA basketball games, just to mention but a few.

Before I move on to Mohegan Pocono, I want to depart from our typical script and talk about the efforts that the management team from Mohegan Sun, Connecticut has taken to prepare for the upcoming competitive pressures the region will soon face. For all their hard work, I and we commend Ray Pineault and Jeff Hamilton and their entire team. With that, I did want to share some additional insight into the size of the opportunity we believe the property has to enhance overall earnings over the next several years. Many of you in the past have heard Mario discuss the Long-Term $100M cost reduction goal that would span the next four-five years. Today, we are happy to report that we believe that we can meet and exceed this goal over the same 4-5 years, through a mixture of both revenue and cost initiatives. By segment, we see over $40M in gaming floor initiatives, including adjustments to our gaming mix, ETG's, sports wagering and other elements. In the areas of property redevelopment and repositioning, we see over $20M in opportunity, with these including the recently announced Aspire hotel in hotel concept, EXPO and other ongoing or soon to be on going positive development opportunities at the property. Within marketing, we see over $20M in opportunity, including targeted changes to promotional efforts, and then finally there are other elements that equal over $20M of additionally opportunities, that don't fit into these buckets, including IT, outsourcing and other items.

We likely won't have much more to say about these efforts today for strategic and competitive purposes, but do expect to provide updates on future calls as our efforts to achieve our targets unfold.

- **<u>Mohegan Sun Pocono</u>**

Now let's move on to Mohegan Sun Pocono results. Net Revenues declined at the property, principally driven by lower table and slot volumes and an increase in taxes assessed by the Commonwealth of Pennsylvania. These headwinds were partially offset by better table hold in the quarter.

Adjusted EBITDA decreased 9.3% year-over-year, however, adjusting for the impact of the 1% slot tax increase, a favorable one-time tax benefit in last year's third quarter of $1.3M, EBITDA would have been roughly flat in the quarter, despite the ongoing competitive pressures in the market. As a result, we see performance moving in the right direction, a result of our decision to refocus our efforts on the core gaming customer. We continue to refine our master plan for this property and look forward to sharing some of these enhancements with you in the very near future.

- **<u>Managed Properties: *ilani* and Resorts</u>**

Just a few words on our two managed properties. The ilani Resort and Casino, just north of Portland, Oregon, and Resorts Atlantic City. At ilani, we recognized approximately $4.2 million in management fee revenues, which is $2.5 million higher than the prior year and higher than the $3 million quarterly run rate we expect going forward. We continue to be pleased with the property's first year's results and with its rapidly ramping revenue profile, as its player database has grown – is at over 238,000 in June, up 10% from March, and continues to grow daily. While we don't want to give away any of their second quarter '18 thunder, we can tell you that performance has continued to improve, with revenues growing at a double-digit pace in the second quarter of '18 versus '17.

Additionally, on April 12th, ilani made its mark as a premier entertainment destination in the Pacific Northwest by opening its new Meeting & Entertainment Center with a Grammy Award winning Little Big Town as the first show, while also marking its 1-year anniversary. Additionally, work has already begun on refinancing the property's current debt structure. Once completed, free cash flow should improve significantly at the property, unlocking the potential for further investment, further deleveraging and additional benefits for both the Cowlitz Tribe and for MGE.

Resorts Atlantic City came back strong in June 2018 and – ending quarter after a disappointing March quarter overall for Atlantic City. Net revenues increased 6.4% and EBITDA increased $3.1 million or 46% Management fees earned by MGE in the quarter were approximately $906k. Overall, we feel the renewed energy at the north end of the Atlantic City Boardwalk will be a benefit to Resorts.

Now I would like to hand it back to Mario Kontomerkos, our President and Chief Executive, for his closing statement.

Mario Kontomerkos: Thank you, Tom. As you all just heard, we continue to make great progress here at MGE in our fiscal third quarter toward our vision of becoming the premier global gaming and entertainment company. We have significantly bolstered our executive management team with the addition of Drew Kelley as CFO; and Richard Lindsey, our new Chief Development Officer. Now many of you have already spoken to Drew, and you will soon get to know Richard, who comes to us from John Buck Company and Kerzner International with decades of experience, developing global markets.

At the same time, and as you heard from Tom, we have made great progress here at Mohegan Sun Connecticut in our operational cost-containment initiatives and revenue-enhancement measures, such as the Expo center, which has gotten off to a great start, reflecting the initial phases of a prolonged strategy, as we said earlier, to combat anticipated incremental competition in the New England gaming market, and we will be successful in that effort. We now remain even more confident in our view that Mohegan Sun Connecticut and Mohegan Pocono are well prepared to weather whatever storms we may face on the horizon with expectations of emerging as a stronger and more profitable operator.

At the same time, MGE has made, and continues to make, great progress in its efforts to diversify its EBITDA stream, particularly in Korea, where we view our position as highly advantageous. As when we open, we will be the only true-integrated entertainment resort in Northern Asia, an enviable position, given our proximity to Shanghai, Beijing, Seoul and Tokyo, some of the world's largest MSAs containing some of the most affluent mobile and fastest-growing populations on the planet. The recent authorization of legalized gaming in Japan only furthers this notion of Northern Asia as the world's next major gaming destination.

Combine all of this with our most important asset, our incredibly dedicated and enthusiastic team members who, day in and day, out are driven to deliver the unparalleled mix of unmatched guest service, entrepreneurial innovation and the positive spirit of hospitality that makes the Mohegan products so special and you can understand why I am quite optimistic about both the near and long-term future with the Mohegan Tribe and MGE.

Finally, before we break to Q&A, I'd just like to note that we will be hosting a Lender Investor Day here at Mohegan Sun in Connecticut on September 24th and 25th. Details will follow to interested participants. But the agenda will include a full-day update on MGE and our strategy in Connecticut as well as an in-depth review of our emerging Asian strategy as well as follow-up programs that are focused on ilani and Paragon, as well as a few opportunities for socializing and meeting with management as well. So we look forward to seeing many of you here at that time.

So with that, I thank you all. And I now would like to turn it over to Sarah, the operator, for Q&A. Sarah?

Operator: Ladies and gentlemen, as a reminder, to ask a question, please press star and then the number one on your telephone keypad. If your question has been answered or you wish to remove yourself from the queue, you may press the pound key. Our first question comes from the line of David Farber from Credit Suisse. Please go ahead.

David Farber: Hi, guys. Good morning. How are you?

Mario Kontomerkos: Morning.

David Farber: So I wanted to first touch on the supplemental deck. Thanks for that. And specifically, this $100 million cost savings and revenue initiative that you talked about. Can you maybe spend a couple of minutes just talking with us about the cadence of the $100 million? When investors will see it? And I guess, I'm asking, especially given the new supplier that's coming on line in the next year or so versus the 4 to 5 years that you laid out here? And then I had some follow-ups. Thanks

Mario Kontomerkos: Drew, do you want to take that?

Drew Kelley: Certainly. Well, again, I think the question is a valid one and certainly, from a personal perspective, was ultimately one of my primary focuses as I've been here on the ground. I'll relay a comment that, again, I think, speaks to the approach, in that, in my conversations with the team here, they mentioned that this August date is, in many ways, the end of the process, not the beginning. In other words, we've known for many years that the property is coming to a border and as such, they've been making adjustments both far and wide.

And if we were to share the particulars of the plan, you would see probably 4 or 5 pages of four-point font, otherwise illustrating that the opportunity is both deep and wide. It goes from strategic decisions to how we operate the gaming floor to other more nuanced items, like just buying less paperclips. I say that jokingly, but I also, again, illustrate that this is a very well-thought-out and detailed plan. And in particular, many of these initiatives are already in place or being put in place as we speak.

So I think, again, it's, perhaps, proper to characterize it using a baseball analogy that we are in the beginning innings. Certainly, the opportunity, again, will continue to be a focus of a number of us here. But at the same time, we are well aware that you don't quite know what a property of this size sees when there's competition. And until it opens, we won't exactly know, but we are certainly poised to react. And for that, we will react in a very proactive manner and depending on what the realistic or reality is, there are a number of different layers that we can otherwise adjust. At the end of the day, as Tom will speak, customer satisfaction is paramount here. We believe that satisfaction that our customers see if they come in to visit us is the reason they continue to come back repeatedly.

And for that, we're not interested in changing our approach. But again, from a financial perspective, I think some of the opportunity has been overblown. Some of it can be mitigated through this facility. And at the end of the day, I'm always reminded that Massachusetts will be nonsmoking. And as you know, for gamblers, that is an important opportunity to consider as they frequent not only something initially as it opens, but as they visit on an ongoing basis. So with that, I'll turn it over to Tom to make a few more specific remarks, I guess.

Tom Burke: Yes. Just, I would reiterate what Drew mentioned, in that, as far as cadence, it's important to know without sharing the specifics that several of these things are already implemented or in the process of actually gearing up. I'm looking across the room here at Ray, and I know that every day, for example, the less, I guess, concrete or tangible things are considered as to what's necessary and what's not. And as Drew said, I think the emphasis is really to make sure that we run as efficiently as possible, while at the same time, never compromising outstanding guest service and the fact that it's a beautiful and immaculately clean facility, which has certainly served us well over the last 20-plus years, and we look forward to serving us into – for the 13 generations to come.

David Farber: OK. I guess, what I'm wrestling is, is on the one hand, it sounds like there will be – the effort would be moving in tandem with what you're seeing in real time. Is that the right way to think about this? Or is the – this $100 million effort going to be happening sort of irrespective of managing the supply and demand curve of what comes to you with respect to the new supply picture in Boston?

Drew Kelley: Again, I think the answer is, we've already started, and we will continue. So it is both. Again, there are specific initiatives that have been in – put in place well before January of this year. There are other initiatives that follow throughout this year. There will be more initiatives that fall through the balance of the year and into next year. So this is not something that we are doing both at one time or likely. And again, it touches each and every line item in the P&L. But again, as the property opens, we will continue to, on a daily basis, evaluate what we're seeing into the competitive landscape. And if needed, we, again, are we leaving ourselves with dry powder, so to speak, so to make sure that we are well positioned for both the Springfield competition and any and all competition that comes thereafter.

David Farber: OK. To – moving to project Inspire for a moment. Can you sort of update us on the timeline with respect to the financing component? Where that stands? And then, as a separate question, would love to get your thoughts on sort of the leverage profile. You're reporting 4.9x plus/minus today. I'm curious, if that target leverage of roughly 3x still holds and when you expect to make in-roads, perhaps to that. And that's it for me. Thanks

Drew Kelley: Well, let me take that again. Again, I think, as it relates to your first question, for reference, the most important next step, as it relates to the Inspire development is a meeting that we'll be having with the MCST in late August and into early September. We are preparing a set of information for that for that – for them, which we believe will be well received and will otherwise speak to the unique aspect of this truly integrated resort and how it will be a dominant property in the market.

As a product of that, we'll be providing an update on the financing structure. Given this meeting is to happen in the coming weeks, it probably wouldn't be proper for me to comment too specifically other than I will basically say, on a personal level, again, if I have 2 focuses, one is Massachusetts, the other is financing of this property, I believe that we are very well positioned. We are otherwise on track. I think there is a number of incremental opportunities that we have to achieve here.

And we'll be spending the balance of the remaining portion of the months in Asia, myself making sure that we are successful both in with – both with the meeting with the MCST and with our financing partner. So apologies for not giving you a specific answer, other than to say, I have a high degree of confidence of success. And I'm looking forward to providing you and others with the details in the not-too-distant future. As it relates to the credit profile, again, there's a slide that I think is applicable or helpful in the deck,that is Slide #30.

At the end of the day, I think Mario and others have repeatedly said that while the Inspire opportunity is transformative and unique, there is a certain amount of credit support that we, MGE, will be providing. In particular, the $300 million of equity funding. At this point, I, again, would state that, that same statement is true and that given that credit support, we believe that the project is financeable. And ultimately, the return on our investment will be significant and such that we will not only have the ability to drive significant cash flow, but likely or potentially, it will open new avenues, both as it relates to revenue diversification and perhaps, other capital sources to incentivize or further enhance what we are currently doing, both on a financial and operating basis.

So perhaps, David, if that was your question, we'll turn onto the next one. Or do you have others?

David Farber: You can – you can – I'll move on. Thanks.

Drew Kelley: Thank you.

Operator: Ladies and gentlemen, another reminder, to ask a question, press star and then the number one on your telephone keypad. If your question has been answered or you wish to remove yourself from the queue, you may press the pound key. Our next question comes from the line of Michael Pace from JPMorgan. Please go ahead.

Michael Pace: Good morning and thanks for taking the questions. I guess just to kind of just set some expectations. Heading into a competitive opening in the next couple of weeks here. What do we expect in terms of marketing or promotional activities? Should we expect maybe some sacrifice on some margins, really just to keep clients coming to Mohegan Sun? And just generally, what should we be expecting in this current quarter and maybe in the following quarter? Thank you.

Mario Kontomerkos: Tom, you want to take that?

Tom Burke: Yes, Michael, it's – I got it, Mario. It's Tom. So I guess, it's an interesting question because obviously, we're not responding with particulars today, regardless. But I can tell you that this is not something that we're going to start thinking about after this call. The Connecticut team has been very, very focused on this. It hasn't – didn't sneak up on us, whether it has been the player development people focused on our most profitable and loyal customers, or whether it's been the refinement or – of targeted marketing practices as far as cash mail opportunities to visit the property, things like that. So obviously, we are able to do all the required heat mapping and where our customers come from and who our most profitable are. And I can tell you that that's been going on here for – the better part of, if not more than, a year. So we go into this as prepared as we would expect. And we'll adjust as we continue to go forward, as Drew said.

Michael Pace: OK. And then maybe sticking with Connecticut. Just tough to follow exactly what and when is happening with East Windsor here. But just, where are you guys in the regulatory process? What are you waiting for? What can you still do before getting final approval and, etc.,?

Kevin Brown: Yes, that's a good question. We continue to press forward, is really the short answer to that. We've completed all but one permitting process with the Town of East Windsor. We have been heavily engaged in design. We are preparing our marketing plan. We have our logo chosen. And we're in the search now for a General Manager for the property. So all systems are going green as we stand by for this process at the Bureau of Indian Affairs to dislodge itself one way or the other.

You may or may not be aware. On the one hand, there's currently an IG investigation into the processes that occurred at the Department of Interior, and it may or may not dislodge what is a current standstill with our joint venture partners' compact approval. And if that does not show the way for us, we also have a suit against the Department of Interior about that process that was not handled appropriately. In the technical legal world, it is a mandamus suit, which essentially just tells the Department of Interior that they must follow their own procedures and policies and that they did not.

And we hope for DOJ to rule on that sometime within the next 60 days if the IG investigation isn't enough to demonstrate that processes at the Department of Interior were not properly followed. So while we await one of those 2 conclusions, we continue to press forward with all preparations.

Michael Pace: OK. And then maybe just turning to the balance sheet. Couple here. Just, you mentioned the potential for an ilani refinancing. I guess, can you remind us what that receivable is from them? Would you expect that to be repaid upon a potential refinancing there? And then your current cash and revolver balance, I guess, why carry $80 million on the revolver if you have $200 million of cash? Do you have some very near-term or post-quarter cash payments that need to be made anywhere including Inspire?

Drew Kelley: So on the first, again, roughly speaking, there's approximately $100 million or so, which we would anticipate to be refinanced and made available to us as part of the ilani refinancing. And again, that's obviously preliminary, but we've met with a number of interested lenders and think that there is a high degree of certainty, given the current market conditions for such a refinancing. And then on the second question, as it relates to cash. Yes, the cash is – the cash balance is higher. That is part of the ultimate distributions that we, MGE, are making to or towards Inspire. And again, that's part of the $300 million number that we've discussed in the past.

Michael Pace: Great, thank you.

Operator: Your next question comes from line of James Kayler from Bank of America. Please go ahead.

James Kayler: Hey guys, how you doing?

Mario Kontomerkos: Morning.

Drew Kelley: Morning.

James Kayler: I guess, first, 2 quick follow-ups on some of those questions. In terms of the ilani receivable, is that net of the buyout of the partner, the $100 million?

Drew Kelley: No, those are 2 separate. Again, we would expect as part of our refinancing to receive approximately $100 million of proceeds from that refinancing, and then the obligation, you'll otherwise reference, would be an ongoing payment over the next 5 to 7 years, based on that arbitration.

James Kayler: OK. That's helpful. And then on the Inspire cash, I think we're all just trying to figure out sort of like the flow of funds. So of the $300 million, sort of how much has left the credit and how much is left to go?

Drew Kelley: $300 million in total will be contributed towards that investment, of which, there have been 2 tranches to-date who are in process. The totality of those 2 is approximately $210 million, leaving the final $90 million to be sent later this calendar year most likely.

James Kayler: All right. So I guess, at quarter-end, like – so that's today. But like, in the numbers that we're looking at today, how much has been contributed versus how much needs to be contributed?

Drew Kelley: $210 million.

James Kayler: $210 million is already reflected, OK. Very helpful. On entertainment calendar, the sort of upcoming shows that you're talking about, are those all in the current quarter, or that – were talking about sort of future quarters and I guess, equally importantly, when you just more broadly look at the Entertainment calendar, like, how does it look year-over-year in the current quarter as well as in the fiscal fourth quarter?

Drew Kelley: James – sorry, we were both too eager to announce that we're going to spend Christmas with Justin Timberlake. But the numbers and the names that we announced were for the remaining portion of the calendar year.

James Kayler: OK. And I mean, you were just anecdotally – like, the entertainment calendar year-over-year for the rest of the year, does it look sort of similar, better, worse?

Tom Burke: It’s probably similar-plus.

James Kayler: OK. Very good. I guess, just one more on Korea. Did – in the CapEx guidance for the year that, obviously, came down pretty significantly, I assume that's just timing related to Korea. I was curious if you could give any color around why that was, and if we should just sort of move that into next fiscal year.

Drew Kelley: Again, I think, the principal driver of that change was Inspire. So yes, some of that should be thought to be in the coming periods, specifically the next fiscal year. But obviously, then you also have the completion of the Expo Center and the lingering effect thereof.

James Kayler: OK, very good. And then on – in terms of the Expo Center, can you give any color in terms of, like, bookings or upcoming shows? I guess, do you think that that will have a positive impact on sort of occupancy, particularly as we get later in the year into the winter? Is it pretty well booked at this point?

Mario Kontomerkos: You want me to take that?

Tom Burke: Yes, please.

Mario Kontomerkos: OK. James, it's Mario. Look, the Expo Center – I think we've gotten off to a very nice start in the Expo Center. I think we talked in the script about the fact that we opened up with the Barrett-Jackson auction, which we've had here for a couple of years and has been very strong. I think when you look at the booking pace, as you've asked, and I think it's a good question. I think the booking pace is up double-digit year-over-year versus last year. And that's a very good sign because the facility's only just opened, and meeting planners are just now getting a sense of what it is and the potential that could be there.

And I think they're getting a very good taste of the potential competitive advantage that our facilities offer over others. And I could probably talk to you for a long time about those. But if you come and see it commentary, you'll see what I mean. There's a very, very significant space there, really a space, which is one of the largest in the areas. We talked about it earlier. Lots of natural light, free parking, which, believe it or not, goes a long way with meeting planners. I mean, obviously, having $2 billion worth plus, $2-plus billion, I guess, of infrastructure next door for activities both before and after meetings, obviously, provides a very, very compelling reason for folks to visit. So I think that the booking pace only just – with the facility only just opened now is very strong, up double digits. And I think it's only going to improve as we move through the calendar.

James Kayler: All right. Very good. I – my last question, maybe a long shot. But in the opening comments, you have sort of mentioned that you have some exciting upcoming developments in Korea. I guess, if – or announcements in Korea. I guess, can you give us any more color in terms of is that around the product or potential partners? If any color you might be willing to give.

Mario Kontomerkos: James, you're right. That was a long shot. But I'm going to try and help you out on this one. So look, I think, look, there's been a lot of work done in Korea. I think that in very short order, you're going to hear some exciting announcements that were made to support not only the Korea investment but also and investments that we would like to make in other parts of the United States and around the world. So why don't we save that to the investor and lendor meeting that's coming up in September. We can talk more about it.

James Kayler: Very good. I look forward to it. Thanks, guys.

Mario Kontomerkos: Thank you.

Operator: Your next question comes from line of Kevin Coyne from Lord Abbett.

Kevin Coyne: Hi, good morning, thank you for taking my questions. I just wanted to go back to the cost-saving slide. And as I listened and read the detail here, I see you're obviously laying it out over a 4- to 5-year period, but it doesn't seem like any of these initiatives are necessarily gated by commitments or contingencies that lapse over that longer time period. So is it fair to say that you could accelerate these initiatives if the impact of the new competitor is greater than you're forecasting right now?

Drew Kelley: Again, I think that's a good question and perhaps, I used the wrong nomenclature. We certainly can accelerate it. We've made, I think, a healthy amount of changes that we think are prudent regardless of the competitive dynamic here. And at the end of the day, when I say dry powder, I think of it is as different levers that you can and may pull, depending on the eventual impact. So obviously, to the extent it makes sense for us to save $1 today, we will, of course, do that. I'm – that may otherwise impact, I don't want to say guest experience, but something that we may wait to see. Then of course, we certainly will see and evaluate on a daily basis the impact post the opening later this month. And then thereafter, again, I would reiterate my comment that there are, beyond this page, a healthy amount of opportunities that we can do to otherwise accelerate or increase, depending on the eventual reality of our current situation.

Kevin Coyne: OK, that's helpful. Thank you. I was also just curious, since the last earnings call, has there been any loss of any casino middle management or casino hosts that potentially departed to the competition?

Drew Kelley: Looking at our team, there's been no material departures.

Kevin Coyne: Great, thank you.

Operator: Your next question comes from line of Greg Roselli from Chatham Asset. Please go ahead.

Greg Roselli: Hey guys, how you doing?

Mario Kontomerkos: Good morning.

Greg Roselli: Just a little bit more clarity on the cost saves. I think, when you answered Dave's question, you kind of mentioned that you were in the final innings of a few of them and in the early innings of a couple of them. And I just want to make sure that we get this clear. I look at this slide here, and you've got $100-plus million of initiatives here,? You a lot of these things here. The gaming initiatives, the development stuff is, obviously, underway, lots of leverage that you can pull. At the – is this the kind of plan that we expect to have largely in place by the time that Springfield opened? And then, with the second part of that, more the customer-facing, the TBD initiative, that's the kind of down-the-line stuff, could that be additive to this $100 million or is that in here and is it still tentative?

Drew Kelley: Again, I think the plan is – base is final is in place. And as it relates to the specific line items, again, I'm looking at my summary, which is many other buckets in what you see here, probably not as detailed as what Ray and his team has assembled. But as I look down at the dates, again, there are things that have implemented January of this year, February of this year, going into now a lot of changes into May, June and July with a healthy amount, again kind of the post opening weeks and months going into even next year and the years beyond. So my point in all of this is, this is a master-planned approach.

It is strategic in how we've thought about it. It is – again, demonstrates just the thoroughness in the evaluation and at the end of the day, again, it gets into the granular level that we don't mean to not answer all of the questions about this, but we could be here for the next 3 days telling you how we're going to save costs by making changes to our leased vehicles or our office supplies or other things that are just as important as the strategic decisions we're making in terms of operating the casino and hotel. So all of this, again, I think, has been well thought out. It isn't to suggest that it isn't growing and evolving.

And at the end of the day, I'm very confident that whether things turn out to be as expected, better-than-expected or worse than expected, we've already thought about that and have structures and mechanisms to effectuate in short order to combat whatever the reality may be.

Greg Roselli: All right. I think that last part is what I was getting at. Let's say, the impact is as expected. And you're – in the presentation you have in front of you, the four-point font sheets. You've got like a $100 million plus of things that are laid out if everything goes expected on your end?

Tom Burke: I think it has to do with acceleration and timeline. In other words if it goes as expected, it lays on the time and that we have that, obviously, isn't in the presentation but the timeline that Drew makes reference to. Your comment about if it would go worse than expected, then we would accelerate those things. So it's timeline dependent. Some of these is concrete things that have to be done over the period of weeks and months and years. But some of it, as Drew mentioned, are levers that can be pulled with – relatively quickly, if need be.

Greg Roselli: I got you. Then, I think the as-expected I was referring to was the competitive impact. As long as that falls within the parameters that you're looking at, you're confident in your ability to execute on all these?

Tom Burke: Absolutely.

Greg Roselli: OK. That helps a lot, thanks, guys.

Operator: Your next question comes from the line of Patrick Robb from Brigade Capital. Please go ahead.

Patrick Robb: Hey, guys. Just a few quick ones for me. So guess, on the Connecticut front, we've seen some headlines around sports betting and the possibility to – for the Connecticut governor to call a special session. I mean, it sounds like that from what you kind of ran through on the $100 million that sports betting is part of it. So – and can you just give us the latest state of play there? Do you have been any incremental color from the headlines that are out there publicly in terms of, like, chances that gets set up by year-end?

Mario Kontomerkos: I can take that, Pat, and maybe others can chime in. I think you're right. I think there's a lot of activity going on in Connecticut right now. And I think that we played a big role in that as well as our partners across the river have played a big role in that. You know that we have a very strong relationship with the state. I think there is clearly a symbiotic relationship between the 2. I think there is just something that we can do here that's beneficial for every party.

And so we're hoping that we can move on this quickly. It's not completely in our control, as you know. But we think that there's a solution out there that makes a lot of sense. I think, to get sort of to the heart of your question, I think part of the EBITDA enhancements that we've been talking about at length on this call is included in that. So I think we're well prepared to be able to react very quickly when the legislature does move ahead, which we think, and hope, will happen soon. The other thing I'll just mention to you, Pat, is that we have our partner down in Atlantic City at Resorts, has already launched a mobile platform. And so I think we've got a head start on this, and I think we can move quickly.

Patrick Robb: OK. I guess, turning to Pocono. The press release calls out, I guess, a competitive kind of competitive environment that market. Would you say that, that property has started to be impacted by even if I was second-order effects but sort of the Catskills Resorts, Catskills opening? I think we've seen your closest geographical competitor there in Pennsylvania, has been pretty soft in the revenue side. So seems like they may be feeling the heat a little bit as well. But how do you kind of parse out the impact that we've gotten more in the summer season of that new property there, upstate?

Tom Burke: Yes. Patrick, I think that – I think it's actually a three-pronged issue there. One is that we are seeing a little bit more impact coming out of the Catskills region in that particular market little bit more than we've seen previously. Secondly, we have some competitive neighbors that are behaving not like we behave, is probably a good way to put it. And thirdly, I – the last comment is probably a little more gut and subjective. But I think what we're also seeing as the third piece of that is, because of the activity in Atlantic City with the 2 new openings, obviously, people in that area vacation – many, many people in that area vacation at the Jersey Shore. So I think we're seeing a little bit of a loss to that too. So it's really a three-pronged piece, a little bit here, a little bit there.

Patrick Robb: Got it. OK. And then the last one. Just kind of a follow-up to one of James' questions. But just the change on the Korea CapEx being pushed out or pushed into next year. I mean, I think, last time, on previous calls when we've spoken, you talked about having a financing – project financing for Korea in place by calendar year-end. Is that still the plan to have everything sort of finalized by calendar year-end from a financing perspective?

Drew Kelley: Generally, I think, the time line hasn't changed substantially. Again, there are nuances between what, I would call, a traditional U.S. project financing and a Korea project financing, none of which are terribly material for this conversation. But in order to check all the boxes, that's, as I mentioned, the first next big step is the MCST meeting this month. And then thereafter, we'll have a very crystal-clear picture as to the exact timing. But generally speaking, no date has materially changed to this point either on financing or likely, the opening.

Patrick Robb: OK. That's it for me. Thanks, guys.

Operator: Our last question comes from the line of Alex Wayne from Ares Management.

Howard Huang: It's Howard Huang. I guess, first of all, appreciate the efforts for the additional transparency and the slide deck that you posted. Most of my questions have been answered. Just in terms of the Poconos, just a follow-up on that. I know you guys mentioned the three sort of issues, and July seemed to be a pretty tough month. As far as those results, was any of that sort of self-managed or planned? And whereas, the EBITDA impact might be less than the top line degradation? Or is that sort of a continuation of those factors that you saw during the second quarter?

Drew Kelley: Well, I think, again, what we would expect in that market is really the opportunity for the management team to continue to demonstrate that in spite of the challenging competitive market, there are otherwise able to manage to the bottom line. And again, going back to the slide on Pocono, if you adjust for the tax purposes for the last quarter, you see that they did a wonderful job, essentially coming in flat on an EBITDA level. So again, I think what you're suggesting is what we would advocate. Challenging market is something outside of our control, but we have a high degree of confidence in the management team to continue to focus on generating cash flow and EBITDA.

Tom Burke: And to further up on Drew's comment is, I think where you're going is that we are the same as previous quarters. We have a disciplined approach with our marketing at that property regardless of the way our competitors behave. And our emphasis is to drive profitable revenue to the property.

Howard Huang: OK. OK, thanks a lot.

Drew Kelley: And I think we have time for one more question.

Operator: Your last question comes from the line of Gene Neavin from Federated Investors.

Gene Neavin: I've got 2 questions, so make them quick. On that cost, revenue synergies slide, are you able to give some details into what exactly is the cost, like approximately how much of that is hard costs like – I know, bad example, but fewer paperclips for example, versus revenue synergies, just by doing things better. That's the first question. And second question is on the corporate EBITDA line. Can you help us think about how – have you – since you consolidated Inspire into your financials, how much of that corporate expense is from that project versus a more of a run rate expense that we should be thinking of at – for the – your domestic operations?

Drew Kelley: Well, the first is a simple response. I can't give you the detail other than to suggest there is a healthy amount of revenue generation the meta- generation opportunities as well as cost reductions and to that point, we endeavor to continue to not simply cut costs but look to grow revenue, in spite of the changing dynamic. So more of a generic response and again, I'm sure you understand for competitive reasons, we'll be a bit more specific perhaps at a later time, at least for now, we'll leave some sensitivity around – on the comment.

As it relates to the corporate number, let me kind of delve into that a little bit with the caveat that this is something that we're looking at generally going into the fiscal year-end in terms of how we report and how we might – report differently. So as to better illustrate the dynamics of our, I guess, rapidly have been going portfolio of properties. But as you look at the corporate number, I think it's somewhat simple to explain on a revenue basis. Again, despite the, I'll call it, robust growth in ilani operating revenue, you have essentially some of that development opportunity going away.

Again, there may be an opportunity to again get development fees, should that property choose to expand. But on the balance, both the continued strong performance by that property and the potential refinancing and other changes may suggest that going forward, again, you'll see some growth and some stability there. As you look at corporate adjusted EBITDA, the increase in the expense, there was approximately 50% related to that revenue decline. The other half was increase in labor, for which a portion of that was one time.

So again, I think this was bit of a transformative quarter in many ways for the corporate line items in general. And to my overall comments, I think you'll see some changes, some increased visibility and ultimately, what we believe will be some improvement in both revenue and EBITDA going forward.

Gene Neavin: OK, thanks.

Operator: There are no further questions. I'll turn the call back over to the presenters for closing comments.

Mario Kontomerkos: OK. All right. Well, thanks, everybody, for joining us. We appreciate your time. And we look forward to updating you in about 3 months' time. Thank you very much.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

END