

# JP Morgan High-Yield Conference

**February 26, 2020** 



















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This presentation includes Adjusted EBITDA and other non-GAAP financial measures. The non-GAAP measures provided herein may not be directly comparable to similar measures used by other companies in MGE's industry, as other companies may define such measures differently. The non-GAAP measures presented herein are not measurements of financial performance under GAAP, and should not be considered as alternatives to, and should only be considered together with, MGE's financial results in accordance with GAAP. The Authority does not consider these non-GAAP financial measures to be a substitute for, or superior to, the information provided by GAAP financial results.





- Established in 1996 by Mohegan Tribe
- Highest grossing casino in the Northeast for over a decade
- Over 6,700 total gaming options
- Internationally ranked 10,000-seat Mohegan Sun Arena
- Expo Center offering over 234,000 square feet
- 1,600 unmatched hotel rooms
- 47 award-winning dining options
- 35 unparalleled retail outlets









# NINE PROPERTIES IN EIGHT GAMING JURISDICTIONS



# OUR ROOTS EXTEND ACROSS THE GLOBE, THROUGH OUR WORLD-CLASS ENTERTAINMENT DESTINATIONS

- Nine destinations
- Nearly 20 million annual visitors across seven North American properties
- Over 3,400 luxury hotel rooms
- Over 60 retail brands
- Over 1,900 live entertainment performances produced annually



# PROVEN RESULTS

# MOHEGAN TRIBE FIRSTS

ACCESS FUNDS ON WALL STREET









OPERATE ONLINE
GAMING IN
NEW JERSEY























1994



2004

2006



2015

2016

2020

### ilani . WASHINGTON

- 2,500 slot machines, 75 table games
- Ten restaurants & bars
- Three retail outlets, a gas station & convenience store
- 2,500-seat Cowlitz Ballroom

### PARAGON CASINO RESORT . LOUISIANA

- 1,300 slot machines, 41 table games
- 535-room hotel, including 20 suites
- Eight restaurants, bars & nightclubs
- Three entertainment venues
- Specialized conference facilities, 18-hole golf course, three-screen movie cinema & full-service RV resort

### RESORTS CASINO HOTEL . ATLANTIC CITY

- More than 1,500 slot machines, 73 table games & Drafts King Sportsbook
- Luxury hotel with 942 rooms
- Six restaurants, bars and nightclubs
- Eight retail outlets
- 300-seat Screening Room & 1,350-seat Superstar Theater
- Specialized conference facilities













### FALLSVIEW RESORT HOTEL

- Over 3,000 slot machines & over 130 table games
- Luxury hotel with 374 rooms
- 1,500-seat theatre
- Over 20 food & beverage outlets

### CASINO NIAGARA

- Over 1,300 slot machines
   & over 40 table games
- Three food & beverage outlets

### MOHEGAN SUN POCONO . PENNSYLVANIA

- Over 2,300 slot machines, more than 80 table games & live harness racing
- Luxury hotel with 238 rooms
- Over 15 restaurants, bars & nightclubs
- Six retail outlets
- 1,550-seat Keystone Grand Ballroom
- Conference facilities & spa

### INSPIRE ENTERTAINMENT RESORT . SOUTH KOREA

- 5-star resort hotel with over 1,250 rooms, suites & villas
- 15,000-seat state-of-the-art concert & sports arena
- 700 slot machines & 150 table games
- Climate-controlled indoor pool space
- Convention facilities & spa
- 99-acre Paramount Picture-branded theme park
- Phase 1A opens 2022 & Phase 1B opens 2025



# SEOUL (MSA) POPULATION: 26,000,000

TOP TOURISM DESTINATIONS ANNUAL VISITORS

1. EVERLAN RESORT, GYEONGGI 8,400,000

2. LOTTE WORLD, SEOUL 8,200,000

3. SEOULLAND, DAEJEON 2,000,000

1,800,000

4. DAEGU E-WORLD, DAEGU

5. OCEAN WORLD, GANGENM 1,700,000



UNCASVILLE POPULATION: 19,571

# ANNUAL VISITORS 12,000,000+

Source: Ministry of Culture, Sports, and Tourism and MGE





# MGE Q1 FY20 Financial Performance

(\$ in thousands)

### **Mohegan Sun**

YOY results reflect impact of Encore Boston Harbor's second quarter of operations

### **Mohegan Sun Pocono**

- Sportsbook & iGaming generated \$1.1M of new gaming revenue
- Sportsbook driving additional table games and F&B revenue

### **MGE Niagara Resorts**

- Gaming volumes slightly lower than anticipated
- Results negatively impacted by Niagara Falls Entertainment Center delay
- Table games hold lower than anticipated, a \$6.0M EBITDA reduction

### Management, Development and Other

- Cowlitz management fees \$8.1M
- Resorts management fees \$0.4M
- MGE Niagara management fees \$0.2M

### **Corporate**

• Net revenue decrease driven by lower Play 4 Fun revenue

### **Total MGE**

• YOY increases attributed to addition of MGE Niagara Resorts



243,335 65,098 26.8% 61,954 11,209	\$ 252,679 68,549 27.1%	(3.7%) (5.0%) (0.4%)
65,098 26.8%	\$ 68,549	(5.0%)
26.8%		,
61,954	27.1%	(0.4%)
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11 200	\$ 60,791	1.9%
11,209	10,608	5.7%
18.1%	17.4%	0.6%
84,974	\$ -	100.0%
3,811	-	100.0%
4.5%	-	100.0%
9,012	\$ 5,712	57.8%
2,130	159	1239.6%
23.6%	2.8%	20.9%
108	\$ 378	(71.4%)
(7,147)	(7,450)	4.1%
N.M.	N.M.	N.M
399,052	\$ 319,500	24.9%
75,082	71,866	4.5%
18.8%	22.5%	(3.7%)
	 75,082	75,082 71,866

**Q1** Financial Performance

Quarter Ended

Vear/Vear Change

**Quarter Ended** 

12/31/2019

# Quarterly Highlights – Management, Development and Other

# Core management businesses continue to grow

For the Three Months Ended								
(in thousands)	December 31, 2019		December 31, 2018		Variance		Percentage Variance	
Net Revenues	\$	9,012	\$	5,712	\$	3,300	57.8%	
Income from Operations	\$	(918)	\$	(413)	\$	(505)	122.3%	
Adjusted EBITDA	\$	2,130	\$	159	\$	1,971	N.M.	

### **Net Revenues for the quarter ended December 31, 2019, reflects:**

- The increase is primarily driven by higher management fees from ilani, as a result of continued revenue and EBITDA growth at the property
- MGE recognized \$8.1M of ilani management fees in the quarter compared to \$4.9M the prior year

### Adjusted EBITDA for the quarter ended December 31, 2019 reflects:

- An increase of \$2.0M over prior year, primarily related to higher management fees from ilani
- EBITDA performance also reflects higher expenses associated with ongoing domestic and international development efforts



# Quarterly Highlights – MGE Corporate

# Improved EBITDA driven by cost initiatives

For the Three Months Ended								
(in thousands)	Decen	ber 31, 2019	December 31, 2018		Variance		Percentage Variance	
Net Revenues	\$	108	\$	378	\$	(270)	(71.4%)	
Loss from Operations	\$	(7,164)	\$	(7,472)	\$	308	4.1%	
Adjusted EBITDA	\$	(7,147)	\$	(7,450)	\$	303	4.1%	

## **Net Revenues for the quarter ended December 31, 2019, reflects:**

• The decrease in revenues is attributed to a decline in Play 4 Fun revenue

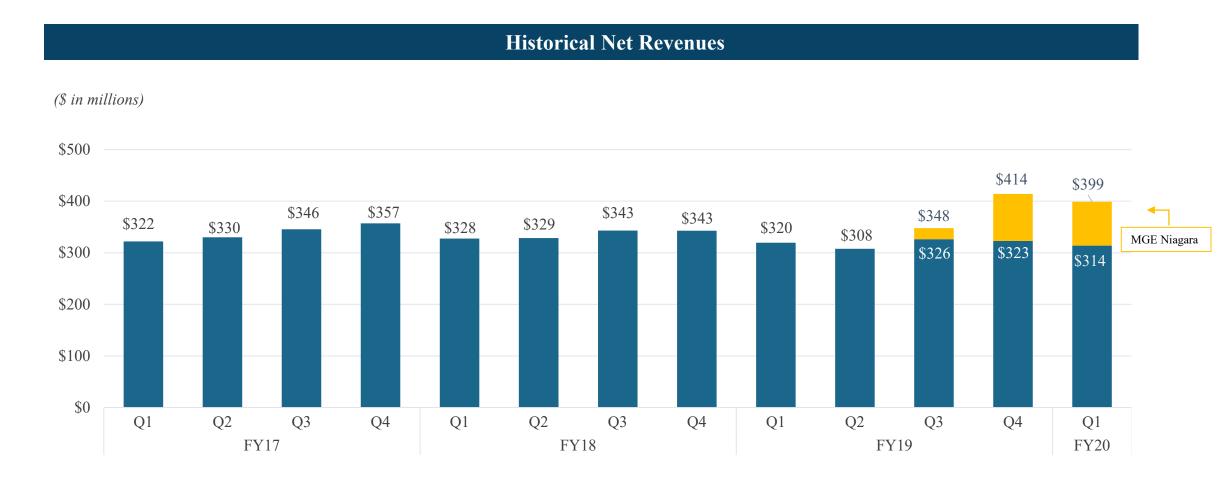
# Adjusted EBITDA for the quarter ended December 31, 2019 reflects:

• Improvements within Adjusted EBITDA were driven by better overall labor expense control along with lower consulting fees



# Quarterly Highlights – MGE Consolidated

Operational performance in core properties remains stable despite incremental competition







# Quarterly Highlights – Mohegan Sun

# Trending better than many expected, with robust non-gaming driving performance

### **Gaming**

- Table games hold was 19.1% vs. 19.9% in prior year
- Gaming revenues experienced a slight decline due to increased competition
- Free slot play was down 21.4% compared to prior year
- Continue to experience modest impact from Boston, as new management adapts to market. Catskills has ramped up free slot play
- Increased spend per trip from slot patrons compared to prior year

## **Non-Gaming**

- Non-gaming revenues increased by \$0.9M or 1.1% over prior year
- F&B revenue declined 2.1% compared to prior year
- Hotel revenue increased 3.9%, driven by higher ADR and an increase in facility fees
- Entertainment revenue increased 7.1%, due to an increase in arena events. Headliners in the arena included Journey and Twenty One Pilots



# Quarterly Highlights – Mohegan Sun

# Meeting and convention growth and strategic expense control improving the bottom line

### **MICE**

- The meeting/convention segment continues to perform well and generated guest room revenue of \$3.4M during the quarter
- Hosted the 2020 Miss America 2.0 Competition, which occurred over multiple nights in December. The event was televised on NBC and provided brand exposure to a national, prime-time audience
- Entering 2020 with 39 confirmed events in the Earth Expo Center, a 25% increase over prior year. Room nights associated with the events are projected at 33,250

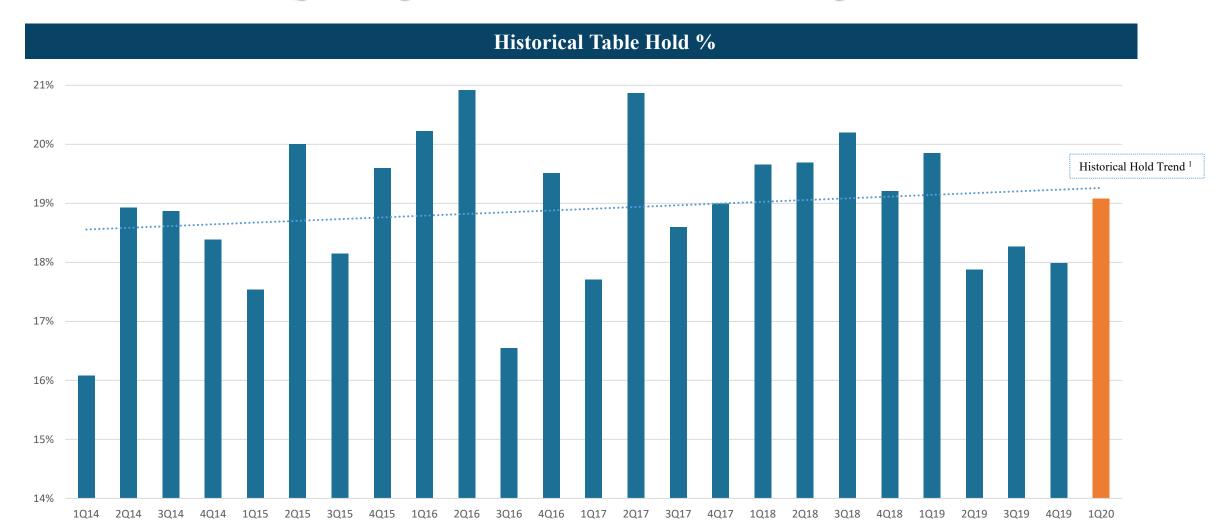
### **Expenses**

- Total operating expenses for the period were \$178.2M compared to \$185.1M in the prior year, representing a favorable variance of \$6.9M or 3.7%
- Labor and benefits decreased by \$3.0M from prior year. The savings was attributed to having 210 fewer FTEs during the period and reductions in other labor costs
- FTEs are at their lowest quarterly level since fiscal year 2000
- Marketing expenses increased by \$0.2M or 0.6% as a result of costs related to hosting the 2020 Miss America 2.0 Competition. Excluding these costs, expenses were favorable \$1.2M compared to prior year



# Quarterly Highlights – Mohegan Sun

# Q1 table games hold inline with historical ranges







Hosted Miss America 2.0 in December, which included a twohour live telecast with 3.6 million viewers crowning Camille Schrier of Virginia as Miss America 2020



Filmed in 2018, Mohegan Sun is featured in Adam Sandler's *Uncut Gems* which was released in U.S. theaters on December 13, 2019







Michael Jordan's 23. Sportcafe is being renovated and rebranded as MJ23 Sports Bar & Grill and will reopen in mid-February



Construction commenced on the new Tao Restaurant at Mohegan Sun opening in fall 2020





# Quarterly Highlights – Mohegan Sun Pocono

# Initial results from sports wagering and interactive gaming complement current operations

- MSP delivered strong results for the quarter
- Property EBITDA was \$11.2M, an increase of \$0.6M or 5.7% over prior year
- MSP outperformed the NEPA slot market as the region saw slot volumes increase by 0.8%, while MSP grew 1.4%
- Interactive gaming operations began on November 12th and are gaining traction
- Unibet Sportsbook completed a successful first full quarter of operations
- Non-gaming revenues increased 6.8% over prior year as a result of increased F&B and hotel revenues
- Opened Tony Luke's cheesesteak restaurant in January 2020







# Quarterly Highlights – Casino Niagara & Fallsview Casino Resort

# Strategic asset performing inline with expectations

- MGE assumed control of the Niagara Bundle on June 11, 2019
- Revenue and EBITDA performance for the quarter reflect a 380 bps decline in table hold, four weather impacted days, and the continued delay of the Niagara Falls Entertainment Center (NFEC)
- Results reflect the impact of new competition offering table games in the Greater Toronto Area (GTA) and GTA West markets, which commenced in August 2018. Impact of competition was contemplated during the bidding process
- While table volumes declined, revenue per trip continues to grow across all segments
- Non-gaming revenues benefitted from improved hotel yielding strategies and a strong entertainment calendar



# Niagara Falls Entertainment Centre

- 5,000 seat theater
- Pedestrian
   bridge/walkway connects
   to Fallsview Casino
   Resort, driving visitation
- Expected to open in 2020







# Quarterly Highlights – ilani Casino Resort

# ilani performance exceeding expectations

- The property continues to perform above expectations and recorded its highest quarterly net revenue and EBITDAM since opening
- Net revenue and EBITDAM increased 22.0% and 17.0%, respectively, over prior year
- The database continues to grow, increasing 23.4% over prior year
- Management Fees increased to \$8.1M or \$3.2M over prior year, the highest for a quarter since opening
- Construction of the 2,700 space structured parking garage and a 17,000 sq. ft. gaming expansion is underway with completion expected in fall of 2020
- Planning for a potential hotel expansion continues









# **PHASE 1A 2022 PHASE 1B 2025** PHASE 2 PHASE 3 **PHASE** PHASE 2 PHASE 4 1B **PHASE** PHASE 2 PHASE 2 PHASE 2 PHASE 3 PHASE 4 PHASE 4 PHASE 4 PHASE 3 PHASE PHASE 3 PHASE 3

# A Multi-Phased Project with Vast Site Area for Scalability

- Phase 1A includes a foreigner-only casino, 5-star resort with over 1,248 rooms, suites, and villas, large-scale and unique F&B, retail and entertainment offerings, a 15,000-seat indoor arena, and large meeting/convention facility
- A true destination resort, with a comprehensive set of family-based entertainment offerings to attract and offer an unparalleled experience to both foreign and domestic Korean visitors





- Established in 1952; 60+ years of success
- Fortune Global 500 member
- Ranked in top 10 of largest business enterprises in South Korea
- Key Business Areas:
  - Aerospace
  - Chemicals & Materials
  - Construction
  - Financial Services
  - Leisure & Lifestyle
  - Solar Energy

















# Inspire construction progress on time and on budget







- Property closed for rebranding on February 3rd
- Casino resort to open in fall of 2020
- 60,000 square-foot casino leased by MGE
- Momentum rewards & loyalty program

### Additional property features include:

- 1,504 Chamber, Grand Chamber and Penthouse suites by Hilton's Elite Curio Collection
- New world-class restaurants, lounges and bars
- Over five acres of luxe outdoor spaces and pools
- The Joint: Existing 4,255-capacity venue
- 130,000 square feet of meeting and convention space











# INSPIREAthens

- Bids were submitted by MGE and Hard Rock in October 2019
- In January 2020, MGE was selected to advance after meeting part 1 of the 3 part tender process
- MGE remains the only qualified bidder, though disqualified bidder has submitted an appeal of the recent tender decision









# Q1 FY20 Current Debt Summary

# MGE and Mohegan Tribe remain committed to deleveraging while strategically diversifying

(in thousands)	12/31/2019	Coupon/Spre ad	Maturity	Rating <sup>1</sup>
Credit Facility - Revolving	\$ 137,000	L + 3.75%	10/13/21	-
Credit Facility - Term Loan A	256,940	L + 3.75%	10/13/21	B1/B-
Credit Facility - Term Loan B	820,149	L + 4.00%	10/13/23	B1/B-
Mohegan Expo Credit Facility	29,657	L + 4.50%	4/1/22	-
Other	4,781	_	-	-
<b>Total Restricted Senior Secured Debt</b>	1,248,527			
2016 7 7/8% Senior Unsecured Notes	500,000	7.875%	10/15/24	B3/CCC+
BIA Loans	32,375	L + 2.75%	10/1/23	-
Line of Credit	75	L + 3.25%	10/13/21	-
Total Restricted Debt	1,780,977			
Redemption Note Payable	100,106	-	4/1/2024	-
Niagara Credit Facility <sup>2</sup>	105,628	BA +2.75%	-	-
Niagara Convertible Debenture <sup>2</sup>	30,728	3.50%	4/30/2040	-
Niagara Capital Leases <sup>2</sup>	28,210	_	-	-
Total Debt	\$ 2,045,649			

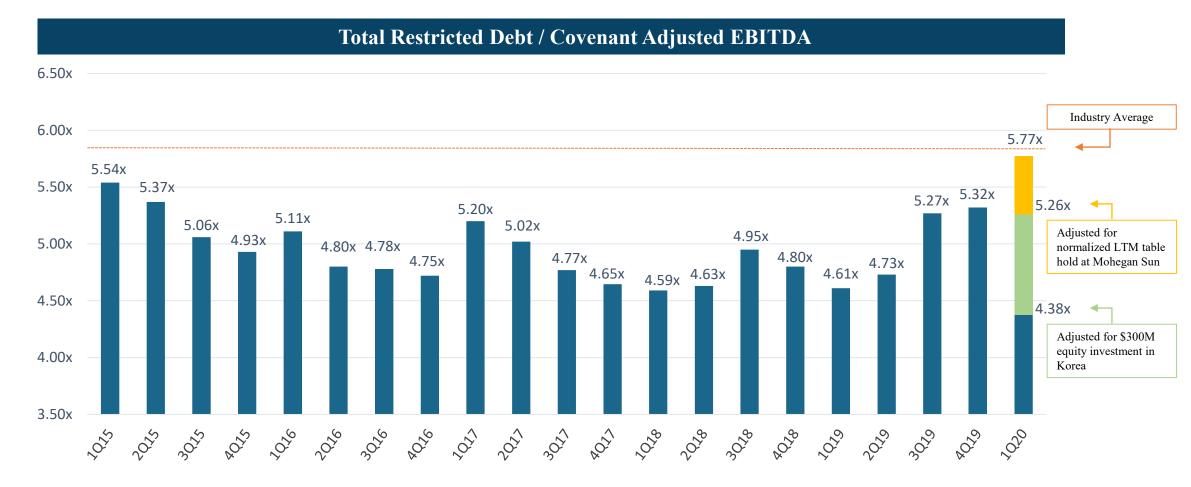
Mohegan Gaming & Entertainmen

<sup>&</sup>lt;sup>1</sup> Corporate Rating: B2/B-

<sup>&</sup>lt;sup>2</sup> Niagara Debt in USD; USD/CAD = 1.3016

# MGE Total Leverage Ratio

MGE's Debt to EBITDA ratio is inline with the US regional industry operators average following the addition of Niagara





 $<sup>1\ \</sup> Restricted\ group\ leverage\ based\ on\ 2016\ credit\ facility\ definition\ of\ total\ recourse\ debt/covenant\ adjusted\ EBITDA$ 

SOURCE: Company financials and public filings

<sup>2</sup> US regional operators industry average includes US subsidiaries of Caesars Entertainment Corp., Boyd Gaming, Eldorado Resorts, Penn National and Red Rock Resorts as of the most recent public filings, estimated pro forma for announced acquisitions and divestitures