

Mohegan Tribal Gaming Authority

**Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Quarterly Period ended December 31, 2023**

INDEPENDENT AUDITOR'S REVIEW REPORT

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Management Board of Mohegan Tribal Gaming Authority:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Mohegan Tribal Gaming Authority and subsidiaries (the "Company") as of December 31, 2023, and the related condensed consolidated statements of operations and comprehensive income (loss), changes in capital, and cash flows for the three-month periods ended December 31, 2023 and 2022, and the related notes (collectively referred to as the "interim financial information").

Conclusion on Accounting Principles Generally Accepted in the United States of America as Promulgated by the Financial Accounting Standards Board

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

Conclusion on Accounting Principles Generally Accepted in the United States of America for Governmental Entities

Based on our reviews, material modifications should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America for governmental entities.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusions.

As described in Note 1 to the interim financial information, the Company is a governmental entity as defined by the Governmental Accounting Standards Board (GASB). Accordingly, the standards

as promulgated by GASB are the appropriate accounting standards for the Company to follow. However, the Company has prepared its interim financial information in accordance with accounting standards as promulgated by the FASB even though the entity meets the “governmental” criteria. The effects on the interim financial information of the variances between the accounting policies described in Note 1 to the interim financial information and generally accepted accounting principles for governmental entities, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Consolidated Balance Sheet as of September 30, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in capital, and cash flows for the year then ended (not presented herein); and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated December 21, 2023. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of September 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

February 9, 2024

Item 1. Financial Statements

**MOHEGAN TRIBAL GAMING AUTHORITY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)**

	December 31, 2023	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 226,379	\$ 217,336
Restricted cash and cash equivalents	8,823	6,989
Accounts receivable, net	82,000	64,003
Inventories	23,090	19,713
Due from Ontario Lottery and Gaming Corporation	8,424	17,488
Contract asset	24,372	30,726
Other current assets	48,182	112,029
Total current assets	421,270	468,284
Restricted cash and cash equivalents	170,593	220,983
Property and equipment, net	2,438,715	2,337,748
Right-of-use assets	307,859	302,500
Intangible assets, net	310,607	310,493
Contract asset, net of current portion	19,577	21,625
Other assets, net	54,678	54,557
Total assets	<u>\$ 3,723,299</u>	<u>\$ 3,716,190</u>
LIABILITIES AND CAPITAL		
Current liabilities:		
Current portion of long-term debt	\$ 21,043	\$ 26,232
Current portion of finance lease obligations	5,909	5,951
Current portion of operating lease obligations	6,993	6,310
Trade payables	26,027	18,662
Accrued payroll	49,493	60,637
Construction payables	95,362	147,667
Accrued interest payable	46,917	39,780
Due to Ontario Lottery and Gaming Corporation	4,689	1,158
Other current liabilities	184,998	184,270
Total current liabilities	441,431	490,667
Long-term debt, net of current portion	2,990,610	2,912,950
Finance lease obligations, net of current portion	106,820	107,180
Operating lease obligations, net of current portion	364,581	358,146
Warrants and put option liabilities	111,370	48,790
Other long-term liabilities	43,046	41,270
Total liabilities	<u>4,057,858</u>	<u>3,959,003</u>
Commitments and Contingencies		
Capital:		
Retained deficit	(293,188)	(182,169)
Accumulated other comprehensive loss	(47,286)	(66,507)
Total capital attributable to Mohegan Tribal Gaming Authority	<u>(340,474)</u>	<u>(248,676)</u>
Non-controlling interests	5,915	5,863
Total capital	<u>(334,559)</u>	<u>(242,813)</u>
Total liabilities and capital	<u>\$ 3,723,299</u>	<u>\$ 3,716,190</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOHEGAN TRIBAL GAMING AUTHORITY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended	
	December 31, 2023	December 31, 2022
Revenues:		
Gaming	\$ 285,683	\$ 280,889
Food and beverage	43,707	38,413
Hotel	31,563	29,553
Retail, entertainment and other	64,279	57,766
Net revenues	425,232	406,621
Operating costs and expenses:		
Gaming, including related party transactions of \$904 and \$901, respectively	159,088	143,317
Food and beverage	36,885	32,490
Hotel, including related party transactions of \$2,161 and \$2,161, respectively	11,695	12,678
Retail, entertainment and other	25,030	23,005
Advertising, general and administrative, including related party transactions of \$10,537 and \$12,368, respectively	95,726	80,078
Corporate, including related party transactions of \$2,368 and \$1,937, respectively	14,437	13,998
Depreciation and amortization	28,301	25,020
Other, net	22,100	5,806
Total operating costs and expenses	393,262	336,392
Income from operations	31,970	70,229
Other income (expense):		
Interest income	701	392
Interest expense, net	(66,272)	(56,404)
Loss on modification and early extinguishment of debt	(116)	(2,633)
Loss on fair value adjustment	(62,580)	(8,800)
Other, net	(548)	(605)
Total other expense	(128,815)	(68,050)
Income (loss) before income tax	(96,845)	2,179
Income tax provision	(122)	(1,372)
Net income (loss)	(96,967)	807
Income attributable to non-controlling interests	(52)	—
Net income (loss) attributable to Mohegan Tribal Gaming Authority	(97,019)	807
Comprehensive income (loss):		
Foreign currency translation adjustment	19,221	48,158
Other comprehensive income	19,221	48,158
Other comprehensive income attributable to Mohegan Tribal Gaming Authority	19,221	48,158
Comprehensive income (loss) attributable to Mohegan Tribal Gaming Authority	\$ (77,798)	\$ 48,965

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOHEGAN TRIBAL GAMING AUTHORITY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL
(in thousands)
(unaudited)

	Retained Deficit	Accumulated Other Comprehensive Loss	Total Capital Attributable to Mohegan Tribal Gaming Authority	Non-controlling Interests	Total Capital
Balance, September 30, 2023	\$ (182,169)	\$ (66,507)	\$ (248,676)	\$ 5,863	\$ (242,813)
Net income (loss)	(97,019)	—	(97,019)	52	(96,967)
Foreign currency translation adjustment	—	19,221	19,221	—	19,221
Distributions to Mohegan Tribe	(14,000)	—	(14,000)	—	(14,000)
Balance, December 31, 2023	<u>\$ (293,188)</u>	<u>\$ (47,286)</u>	<u>\$ (340,474)</u>	<u>\$ 5,915</u>	<u>\$ (334,559)</u>
Balance, September 30, 2022	\$ (130,551)	\$ (88,146)	\$ (218,697)	\$ 4,798	\$ (213,899)
Net income	807	—	807	—	807
Foreign currency translation adjustment	—	48,158	48,158	—	48,158
Distributions to Mohegan Tribe	(14,000)	—	(14,000)	—	(14,000)
Balance, December 31, 2022	<u>\$ (143,744)</u>	<u>\$ (39,988)</u>	<u>\$ (183,732)</u>	<u>\$ 4,798</u>	<u>\$ (178,934)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOHEGAN TRIBAL GAMING AUTHORITY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	December 31, 2023	December 31, 2022
Cash flows provided by operating activities:		
Net income (loss)	\$ (96,967)	\$ 807
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	28,301	25,020
Non-cash operating lease expense	2,045	1,908
Accretion of discounts	331	400
Amortization of discounts and debt issuance costs	6,868	5,334
Paid-in-kind interest	7,921	10,856
Loss on fair value adjustment	62,580	8,800
(Recovery) provision for losses on receivables	526	(147)
Deferred income taxes	(745)	1,473
Other, net	(311)	141
Changes in operating assets and liabilities:		
Accounts receivable, net	(17,752)	(6,009)
Inventories	(3,278)	(323)
Due from Ontario Lottery and Gaming Corporation	9,489	(4,085)
Contract asset	9,451	7,301
Other assets	(2,039)	(5,907)
Trade payables	6,769	(4,146)
Accrued interest payable	6,998	7,880
Due to Ontario Lottery and Gaming Corporation	3,526	298
Operating lease obligations	(1,582)	(714)
Other liabilities	(9,247)	(23,837)
Net cash flows provided by operating activities	<u>12,884</u>	<u>25,050</u>
Cash flows used in investing activities:		
Purchases of property and equipment	(121,621)	(167,155)
Investments related to the Inspire Korea project	65,710	—
Other, net	65	(1,594)
Net cash flows used in investing activities	<u>(55,846)</u>	<u>(168,749)</u>
Cash flows provided by (used in) financing activities:		
Proceeds from revolving credit facilities	170,000	223,152
Repayments on revolving credit facilities	(131,000)	(209,049)
Proceeds from issuance of long-term debt	12,835	115,503
Repayments of long-term debt	(42,081)	(7,366)
Payments on finance lease obligations	(1,365)	(934)
Distributions to affiliates	(14,000)	(14,000)
Payments of financing fees	(417)	(200)
Other, net	(813)	(813)
Net cash flows provided by (used in) financing activities	<u>(6,841)</u>	<u>106,293</u>
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(49,803)	(37,406)
Effect of exchange rate on cash, cash equivalents, restricted cash and restricted cash equivalents	10,290	46,671
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	445,308	520,514
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	<u>\$ 405,795</u>	<u>\$ 529,779</u>

Three Months Ended

	December 31, 2023	December 31, 2022
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Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents to the condensed consolidated balance sheets:

Cash and cash equivalents	\$ 226,379	\$ 179,561
Restricted cash and cash equivalents, current	8,823	7,604
Restricted cash and cash equivalents, non-current	170,593	342,614
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 405,795	\$ 529,779

Supplemental disclosures:

Cash paid for interest	\$ 54,535	\$ 40,658
Cash paid for taxes	\$ 4,809	\$ —
Non-cash transactions:		
Paid-in-kind interest capitalized	\$ 11,297	\$ 2,931
Paid-in-kind interest converted to debt	\$ 18,938	\$ 13,701

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOHEGAN TRIBAL GAMING AUTHORITY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 — Organization and Basis of Presentation

Organization

The Mohegan Tribal Gaming Authority (the “Company,” “we,” “us” or “our”) was established in July 1995 by the Mohegan Tribe (the “Mohegan Tribe”), a federally-recognized Indian tribe with an approximately 595-acre reservation situated in Uncasville, Connecticut. We have the exclusive authority to conduct and regulate gaming activities for the Mohegan Tribe on tribal lands and the non-exclusive authority to conduct such activities elsewhere. The Indian Gaming Regulatory Act of 1988 permits federally-recognized Indian tribes to conduct full-scale casino gaming operations on tribal lands, subject to certain conditions, and the Mohegan Compact, as amended, permits the Mohegan Tribe to conduct casino and sportsbook operations on its tribal lands in Uncasville, Connecticut, along with online casino gaming and sports wagering (“iGaming”) in the state of Connecticut and on its tribal lands. We are governed and overseen by a nine-member Management Board, whose members also comprise the Mohegan Tribal Council, the governing body of the Mohegan Tribe.

We are primarily engaged in the ownership, operation and development of integrated entertainment facilities. We currently own two facilities in the United States and own, operate or manage six other facilities in the United States, Canada and South Korea. We also conduct iGaming in the United States and Canada.

On November 30, 2023, we opened the integrated entertainment resort phase of a facility in South Korea, Mohegan INSPIRE Entertainment Resort, located adjacent to the Incheon International Airport (“Inspire Korea”). The gaming phase opened on February 3, 2024.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information. The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete consolidated financial statements. The accompanying year-end condensed consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by US GAAP. All adjustments, including normal recurring accruals and adjustments, necessary for a fair statement of our operating results for the interim period have been included.

Our results of operations for interim periods are not necessarily indicative of operating results for other quarters, a full fiscal year or any other period.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report for the fiscal year ended September 30, 2023. The preparation of financial statements in conformity with US GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities.

Financial Accounting Standards Board versus Governmental Accounting Standards Board Reporting

The Mohegan Tribe prepares its combined financial statements, including the accounts of the Company, in accordance with pronouncements issued by the Governmental Accounting Standards Board (“GASB”). As a separate instrumentality of the Mohegan Tribe, we are a governmental entity as defined by GASB. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with pronouncements issued by the Financial Accounting Standards Board (the “FASB”). We believe primary differences between the FASB and GASB pronouncements, as they relate to us, are the accounting for revenues, leases and asset impairments, the presentation of cash flow activities and certain additional disclosures of fixed assets.

Other Current Assets

As of September 30, 2023, other current assets included \$65.7 million relating to a foreign currency exchange hedging arrangement, in which the custodian settled the transaction prior to September 30, 2023, but released the funds to the Company subsequent to September 30, 2023.

Warrant and Put Option

Our warrants and put option related to Inspire Korea are classified as long-term liabilities and are re-measured at their estimated fair values at each reporting date. The estimated fair value of the warrants and put option was determined by utilizing the

MOHEGAN TRIBAL GAMING AUTHORITY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(unaudited)

income approach (discounted cash flow method) and a binomial lattice model. This valuation approach utilized Level 3 inputs. The primary unobservable inputs utilized were the discount rate, which was 10%, and the expected volatility of the underlying stock price, which was 60%. In addition, projected cash flows are utilized in this valuation approach.

Warrants and Put Option

(in thousands)

Balance, September 30, 2023	\$ 48,790
Unrealized loss	62,580
Balance, December 31, 2023	<u>\$ 111,370</u>

Income Taxes

In December 2022, the government of South Korea passed tax legislation adopting the Pillar Two framework of the Organization for Economic Co-operation and Development. This framework establishes a global minimum corporate tax rate and is effective for tax years beginning on or after January 1, 2024. We are currently assessing whether, or to what extent, this legislation will impact us.

Note 2 — Long-Term Debt

(in thousands)	December 31, 2023			September 30, 2023
	Final Maturity	Face Value	Book Value	Book Value
Senior Secured Credit Facility	2025	\$ 117,000	\$ 117,000	\$ 78,000
2021 8% Senior Secured Notes	2026	1,175,000	1,165,893	1,164,900
2022 13.25% Senior Unsecured Notes	2027	502,457	477,712	476,584
2016 7.875% Senior Unsecured Notes	2024	22,658	22,606	22,590
Niagara Term Loan Facility	2028	24,534	24,408	57,910
Niagara Capital Facility	2028	73,132	72,725	72,130
Korea Credit Facility	2025	765,563	728,325	680,228
Korea Term Loan	2027	389,470	290,759	272,923
Korea Convertible Bonds	2032	129,422	80,244	75,929
Guaranteed Credit Facility	2025	21,875	21,622	22,239
Redemption Note Payable	2024	10,180	9,911	15,267
Other	Varies	448	448	482
Long-term debt		<u>3,231,739</u>	<u>3,011,653</u>	<u>2,939,182</u>
Current portion of long-term debt		(21,312)	(21,043)	(26,232)
Long-term debt, net of current portion		<u>\$ 3,210,427</u>	<u>\$ 2,990,610</u>	<u>\$ 2,912,950</u>
Fair value		\$ 3,098,805		
Unamortized discounts and debt issuance costs			\$ 220,086	\$ 222,536

Line of Credit

On October 12, 2023, we entered into a \$5.0 million revolving line of credit facility with Fifth Third Bank, National Association. This facility will be used for general corporate purposes and matures on November 1, 2025.

Note 3 — Revenue Recognition

Revenue Disaggregation

We are primarily engaged in the ownership, operation, management and development of integrated entertainment facilities, as well as providing iGaming solutions, both domestically and internationally. We, either directly or through subsidiaries, operate Mohegan Sun, along with our other Connecticut operations, Mohegan Pennsylvania, along with our other Pennsylvania operations, the Niagara Resorts, along with our other Niagara operations, and Mohegan Digital, which includes our iGaming operations. We generate revenues by providing the following types of goods and services: gaming, food and beverage, hotel and retail, entertainment and other, which includes management and development fees earned.

MOHEGAN TRIBAL GAMING AUTHORITY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(unaudited)

Revenue Disaggregation

	Three Months Ended December 31, 2023					
<i>(in thousands)</i>	Mohegan Sun	Mohegan Pennsylvania	Niagara Resorts	Mohegan Digital (1)	Other	Total
Gaming	\$ 146,247	\$ 50,955	\$ 46,774	\$ 36,234	\$ 5,473	\$ 285,683
Food and beverage	25,036	4,745	10,239	(19)	3,706	43,707
Hotel	23,699	1,841	4,058	(6)	1,971	31,563
Retail, entertainment and other	33,428	1,504	13,084	(22)	16,285	64,279
Net revenues	\$ 228,410	\$ 59,045	\$ 74,155	\$ 36,187	\$ 27,435	\$ 425,232

(1) Gaming revenues include \$9.9 million in iGaming tax reimbursement amounts from our iGaming partners.

	Three Months Ended December 31, 2022					
<i>(in thousands)</i>	Mohegan Sun	Mohegan Pennsylvania	Niagara Resorts	Mohegan Digital	Other	Total
Gaming	\$ 157,784	\$ 52,735	\$ 52,571	\$ 11,201	\$ 6,598	\$ 280,889
Food and beverage	24,658	4,236	8,287	(33)	1,265	38,413
Hotel	24,355	1,317	3,883	—	(2)	29,553
Retail, entertainment and other	32,606	1,490	9,279	(4)	14,395	57,766
Net revenues	\$ 239,403	\$ 59,778	\$ 74,020	\$ 11,164	\$ 22,256	\$ 406,621

Lease Revenue

	Three Months Ended			
	December 31, 2023		December 31, 2022	
<i>(in thousands)</i>	Hotel	Retail, Entertainment and Other	Hotel	Retail, Entertainment and Other
Fixed rent	\$ 18,511	\$ 3,484	\$ 16,642	\$ 1,753
Variable rent	22	3,201	—	2,658
Total	\$ 18,533	\$ 6,685	\$ 16,642	\$ 4,411

Contract and Contract-related Assets

Accounts Receivable

<i>(in thousands)</i>	December 31, 2023	September 30, 2023
Gaming	\$ 56,106	\$ 48,124
Food and beverage	69	70
Hotel	9,769	5,399
Retail, entertainment and other	40,677	34,359
Accounts receivable	106,621	87,952
Allowance for doubtful accounts	(24,621)	(23,949)
Accounts receivable, net	\$ 82,000	\$ 64,003

As of December 31, 2023 and September 30, 2023, contract assets related to the Niagara Resorts Casino Operating and Services Agreement with the Ontario Lottery and Gaming Corporation totaled \$43.9 million and \$52.4 million, respectively.

MOHEGAN TRIBAL GAMING AUTHORITY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(unaudited)

Contract and Contract-related Liabilities

A difference may exist between the timing of cash receipts from customers and the recognition of revenues, resulting in a contract or contract-related liability. In general, we have three types of such liabilities: (1) outstanding gaming chips and slot tickets liability, which represents amounts owed in exchange for outstanding gaming chips and slot tickets held by customers, (2) loyalty points deferred revenue liability and (3) customer advances and other liability, which primarily represents funds deposited in advance by customers for gaming and advance payments by customers for goods and services such as advance ticket sales, deposits on rooms and convention space and gift card purchases. These liabilities are generally expected to be recognized as revenues within one year and are recorded within other current liabilities.

<i>(in thousands)</i>	December 31, 2023	September 30, 2023
Outstanding gaming chips and slot tickets liability	\$ 11,783	\$ 9,496
Loyalty points deferred revenue liability	41,760	41,751
Customer advances and other liability	34,862	34,852
Total	<u>\$ 88,405</u>	<u>\$ 86,099</u>

As of December 31, 2023 and September 30, 2023, customer contract liabilities related to Mohegan Pennsylvania's revenue sharing agreement with Unibet Interactive Inc. totaled \$12.9 million and \$13.2 million, respectively, and were primarily recorded within other long-term liabilities.

Note 4 — Commitments and Contingencies

We are a defendant in various claims and legal actions resulting from our normal course of business, primarily relating to personal injuries to customers and damages to customers' personal assets. We estimate litigation claims expense and accrue for such liabilities based upon historical experience. In management's opinion, the aggregate liability, if any, arising from such legal actions will not have a material impact on our financial position, results of operations or cash flows.

Note 5 — Subsequent Events

We have evaluated events subsequent to December 31, 2023 through the issuance of the accompanying unaudited condensed consolidated financial statements on February 9, 2024, and have not identified any additional events for disclosure.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The statements in this discussion regarding our expectations related to our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See “Cautionary Statements Regarding Forward-Looking Information” within this quarterly report.

The following discussion and analysis of our financial condition and results of operations for the three months ended December 31, 2023 should be read in conjunction with our financial statements and the notes thereto and other financial information included elsewhere within this quarterly report.

For a discussion of our net income before interest, income taxes, depreciation and amortization, adjusted to exclude certain non-cash and other items (“Adjusted EBITDA”), refer to our quarterly operating results press releases on our website at www.mohegangaming.com, under the “Investor Relations/Financial Updates” section.

Discussion of Consolidated Operating Results

Consolidated Operating Results

(in thousands)	Three Months Ended December 31,		Variance	
	2023	2022	\$	%
Net revenues:				
Gaming	\$ 285,683	\$ 280,889	\$ 4,794	1.7 %
Food and beverage	43,707	38,413	5,294	13.8 %
Hotel	31,563	29,553	2,010	6.8 %
Retail, entertainment and other	64,279	57,766	6,513	11.3 %
Net revenues	<u>\$ 425,232</u>	<u>\$ 406,621</u>	18,611	4.6 %
Operating costs and expenses:				
Gaming	\$ 159,088	\$ 143,317	\$ 15,771	11.0 %
Food and beverage	36,885	32,490	4,395	13.5 %
Hotel	11,695	12,678	(983)	(7.8)%
Retail, entertainment and other	25,030	23,005	2,025	8.8 %
Advertising, general and administrative	95,726	80,078	15,648	19.5 %
Corporate	14,437	13,998	439	3.1 %
Depreciation and amortization	28,301	25,020	3,281	13.1 %
Other, net	22,100	5,806	16,294	280.6 %
Total operating costs and expenses	<u>\$ 393,262</u>	<u>\$ 336,392</u>	56,870	16.9 %

Disaggregated Operating Results

(in thousands)	Three Months Ended December 31,		Variance	
	2023	2022	\$	%
Net revenues:				
Mohegan Sun	\$ 228,410	\$ 239,403	\$ (10,993)	(4.6)%
Mohegan Pennsylvania	59,045	59,778	(733)	(1.2)%
Niagara Resorts	74,155	74,020	135	0.2 %
Mohegan Digital	36,187	11,164	25,023	224.1 %
Management, development and other	24,280	14,845	9,435	63.6 %
All other	7,436	8,453	(1,017)	(12.0)%
Corporate	(3)	159	(162)	N.M.
Eliminations	(4,278)	(1,201)	(3,077)	(256.2)%
Net revenues	<u>\$ 425,232</u>	<u>\$ 406,621</u>	18,611	4.6 %
Operating costs and expenses:				
Mohegan Sun	\$ 186,896	\$ 188,064	\$ (1,168)	(0.6)%
Mohegan Pennsylvania	51,812	50,570	1,242	2.5 %
Niagara Resorts	70,837	66,054	4,783	7.2 %
Mohegan Digital	19,770	4,051	15,719	388.0 %
Management, development and other	47,901	9,721	38,180	392.8 %
All other	9,327	9,050	277	3.1 %
Corporate	10,916	10,213	703	6.9 %
Eliminations	(4,197)	(1,331)	(2,866)	(215.3)%
Total operating costs and expenses	<u>\$ 393,262</u>	<u>\$ 336,392</u>	56,870	16.9 %

Mohegan Sun

Revenues

Net revenues decreased \$11.0 million, or 4.6%, for the three months ended December 31, 2023 compared with the same period in the prior year. This decrease was primarily due to declines in both slot and table game revenues. The decline in slot revenues primarily reflected lower slot volumes, while table game revenues were negatively impacted by lower table game volumes and hold percentage.

Operating Costs and Expenses

Operating costs and expenses decreased \$1.2 million, or 0.6%, for the three months ended December 31, 2023 compared with the same period in the prior year. This decrease was primarily driven by lower utilities and payroll costs, combined with lower slot machine tax expenses commensurate with the decline in slot revenues.

Mohegan Pennsylvania

Revenues

Net revenues decreased \$0.7 million, or 1.2%, for the three months ended December 31, 2023 compared with the same period in the prior year. This decrease was primarily due to a decline in gaming revenues driven by lower overall gaming volumes, partially offset by higher non-gaming revenues.

Operating Costs and Expenses

Operating costs and expenses increased \$1.2 million, or 2.5%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily driven by higher payroll costs.

Niagara Resorts

Revenues

Net revenues increased \$0.1 million, or 0.2%, for the three months ended December 31, 2023 compared with the same period in the prior year. These results reflect higher non-gaming revenues, offset by declines in slot and table game revenues. In general, non-gaming revenues benefited from a full period of operations of our 5,000-seat entertainment center, the OLG Stage at Fallsview Casino, which opened in October 2022. The decline in slot revenues was driven by lower hold percentage, while table game revenues were negatively impacted by lower volumes and hold percentage.

Operating Costs and Expenses

Operating costs and expenses increased \$4.8 million, or 7.2%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily driven by higher overall operating costs and expenses associated with a full period of operations of the OLG Stage at Fallsview Casino, combined with higher payroll costs and lease expenses.

Mohegan Digital

Revenues

Net revenues increased \$25.0 million, or 224.1%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily driven by the continued ramp up of our online casino gaming and sports wagering operations in Connecticut and the Province of Ontario, Canada. The increase in net revenues also reflected \$9.9 million in iGaming tax reimbursement amounts from our iGaming partners.

Operating Costs and Expenses

Operating costs and expenses increased \$15.7 million, or 388.0%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily driven by the \$9.9 million in iGaming tax reimbursement amounts from our iGaming partners, combined with higher overall operating costs and expenses associated with our online casino gaming and sports wagering operations.

Management, Development and Other

Revenues

Net revenues increased \$9.4 million, or 63.6%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily driven by incremental non-gaming revenues generated by Inspire Korea, which opened on November 30, 2023.

Operating Costs and Expenses

Operating costs and expenses increased \$38.2 million, or 392.8%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase primarily reflected incremental operating costs and expenses associated with Inspire Korea, including higher pre-opening costs and expenses, combined with \$3.6 million in reimbursable entertainment contract expenses paid on behalf of the Niagara Resorts.

All Other

Revenues

Net revenues decreased \$1.0 million, or 12.0%, for the three months ended December 31, 2023 compared with the same period in the prior year. These results reflect lower slot and table game revenues generated by Mohegan Casino Las Vegas, primarily driven by lower hold percentages.

Operating Costs and Expenses

Operating costs and expenses increased \$0.3 million, or 3.1%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily due to higher casino marketing and promotional expenses.

Corporate

Revenues

Net revenues decreased \$0.2 million for the three months ended December 31, 2023 compared with the same period in the prior year. These results reflect revenues generated by our corporate functions and are relatively de minimis to our overall operating performance.

Operating Costs and Expenses

Operating costs and expenses increased \$0.7 million, or 6.9%, for the three months ended December 31, 2023 compared with the same period in the prior year. This increase was primarily due to higher costs related to certain transformation activities.

Other Income (Expense)

(in thousands)	Three Months Ended December 31,		Variance	
	2023	2022	\$	%
Interest income	\$ 701	\$ 392	\$ 309	78.8 %
Interest expense, net	(66,272)	(56,404)	(9,868)	(17.5)%
Loss on modification and early extinguishment of debt	(116)	(2,633)	2,517	95.6 %
Loss on fair value adjustment	(62,580)	(8,800)	(53,780)	(611.1)%
Other, net	(548)	(605)	57	9.4 %
Income tax provision	(122)	(1,372)	1,250	91.1 %

Interest Expense

Interest expense increased \$9.9 million, or 17.5%, for the three months ended December 31, 2023 compared with the same period in the prior year. The increases in interest expense were due to higher weighted average interest rate and weighted average outstanding debt. Capitalized interest related to Inspire Korea totaled \$21.6 million and \$10.9 million for the three months ended December 31, 2023 and 2022, respectively.

Modification and Early Extinguishment of Debt

Loss on modification and early extinguishment of debt primarily represents transaction costs expensed in connection with refinancing transactions.

Fair Value Adjustment

Loss on fair value adjustment represents changes in the estimated fair value of the warrants and put option related to Inspire Korea. The increase in loss on fair value adjustment was primarily driven by an increase in the equity value of Inspire Korea due to an increase in expected future cash flows following the completion of construction, and a reduction in the discount rate utilized in the valuation from 12% to 10%. Refer to Note 1 for additional information.

Income Tax

Income tax provision is primarily driven by taxable income generated by the Niagara Resorts.

Seasonality

The gaming markets in the Northeastern United States and Niagara Falls, Canada, are seasonal in nature, with peak gaming activities often occurring during the months of May through August. iGaming is also seasonal in nature, with peak gaming occurring during the months of September through March. Accordingly, our operating results for the three months ended December 31, 2023 are not necessarily indicative of operating results for other interim periods or an entire fiscal year.

Liquidity and Capital Resources

Liquidity

As of December 31, 2023 and September 30, 2023, we held cash and cash equivalents of \$226.4 million and \$217.3 million, respectively, of which the Niagara Resorts held \$37.1 million and \$62.5 million, respectively. As a result of the cash-based nature of our business, operating cash flow levels tend to follow trends in our operating income, excluding the effects of non-cash charges, such as depreciation and amortization and impairment charges. Inclusive of letters of credit, which reduce borrowing availability, we had \$124.6 million of borrowing capacity under our senior secured credit facility as of December 31, 2023. In addition, inclusive of letters of credit, which reduce borrowing availability, the Niagara Resorts had \$37.7 million of borrowing capacity under the Niagara revolving facility as of December 31, 2023.

Cash provided by operating activities decreased \$12.2 million, or 48.6%, to \$12.9 million for the three months ended December 31, 2023 compared with \$25.1 million in the same period in the prior year. The decline in cash provided by operating activities was primarily driven by lower net income, after factoring in non-cash items, partially offset by lower working capital requirements. Refer to “Discussion of Consolidated Operating Results” for additional information.

Cash used in investing activities decreased \$112.9 million, or 66.9%, to \$55.8 million for the three months ended December 31, 2023 compared with \$168.7 million in the same period in the prior year. The decrease in cash used in investing activities was primarily driven by lower capital expenditures related to Inspire Korea, partially offset by funds received in connection with a foreign currency exchange hedging arrangement, in which the custodian settled the transaction prior to September 30, 2023, but released the funds subsequent to September 30, 2023.

Cash used in financing activities totaled \$6.8 million for the three months ended December 31, 2023 compared with cash provided by financing activities of \$106.3 million in the same period in the prior year. The decrease in cash provided by financing activities was primarily driven by lower borrowings related to Inspire Korea.

Sufficiency of Resources

We believe that existing cash balances, financing arrangements and operating cash flows will provide us with sufficient resources to meet our existing debt obligations, finance and operating lease obligations, distributions to the Mohegan Tribe, capital expenditures and working capital requirements for the next twelve months; however, we can provide no assurance in this regard.

Cautionary Statements Regarding Forward-Looking Information

Some information included within this quarterly report contains forward-looking statements. Such statements may include information relating to business development activities, as well as capital spending, financing sources, the effects of regulation, including gaming and tax regulation, and increased competition. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect” or “intend” and similar expressions. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated future results and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by us or on our behalf. These risks and uncertainties include, but are not limited to, those relating to the following:

- the COVID-19 pandemic and the related social and economic disruptions;
- the financial performance of our various operations;
- the local, regional, national or global economic climate;
- increased competition, including the expansion of gaming in jurisdictions in which we own or operate gaming facilities;
- our leverage and ability to meet our debt service obligations and maintain compliance with financial debt covenants;
- the continued availability of financing;
- our dependence on existing management;
- our ability to integrate new amenities from expansions to our facilities into our current operations and manage the expanded facilities;
- changes in federal, state or international tax laws or the administration of such laws;
- changes in gaming laws or regulations, including the limitation, denial or suspension of licenses required under gaming laws and regulations;
- cyber security risks relating to our information technology and other systems or that of our partners or vendors, including misappropriation of customer information or other breaches of information security;
- changes in applicable laws pertaining to the service of alcohol, smoking or other amenities offered at our facilities;
- our ability to successfully implement our diversification strategy;
- an act of terrorism;
- our customers' access to inexpensive transportation to our facilities and changes in oil, fuel or other transportation-related expenses;
- a variety of uncontrollable events that could impact our operations, such as health concerns, adverse weather and climate conditions, catastrophic events or natural disasters or international, political or military developments, including social unrest;
- risks associated with operations in foreign jurisdictions such as Canada or South Korea;
- failure by our employees, agents, affiliates, vendors or businesses to comply with applicable laws, rules and regulations, including state gaming laws and regulations and anti-bribery laws such as the United States Foreign Corrupt Practices Act, and similar anti-bribery laws in other jurisdictions; and
- fluctuations in foreign currency exchange rates.

The forward-looking statements included within this quarterly report are made only as of the date of this report. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent events or circumstances. We cannot assure you that projected results or events will be achieved or will occur.