

# VICI

## JACK CLEVELAND & JACK THISTLEDOWN TRANSACTION OVERVIEW OCTOBER 28, 2019

INVEST IN THE  
EXPERIENCE

J  
A  
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CASINO

JACK CASINO

Ontario

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# DISCLAIMERS

## **Forward-Looking Statements**

This presentation contains forward-looking statements within the meaning of the federal securities laws. You can identify these statements by our use of the words “assumes,” “believes,” “estimates,” “expects,” “guidance,” “intends,” “plans,” “projects,” and similar expressions that do not relate to historical matters. All statements other than statements of historical fact are forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors which are, in some cases, beyond the control of VICI Properties Inc. and its subsidiaries (collectively, the “Company” or “VICI”) and could materially affect actual results, performance, or achievements. Among those risks, uncertainties and other factors are risks that the acquisition of JACK Cleveland Casino and JACK Thistledown Racino (collectively, “JACK Cleveland / Thistledown”) may not be consummated on the terms or timeframe described herein, or at all; the ability of the parties to satisfy the conditions set forth in the definitive transaction documents, including the ability to receive, or delays in obtaining, the regulatory approvals required to consummate the transaction; the terms on which the Company finances the transaction, including the source of funds used to finance such transaction; disruptions to the real property and operations of JACK Cleveland / Thistledown during the pendency of the closing; risks that the Company may not achieve the benefits contemplated by the acquisition of the real estate assets of JACK Cleveland / Thistledown (including any expected accretion or the amount of any future rent payments); and risks that not all potential risks and liabilities have been identified in the due diligence. Additional important factors that may affect the Company’s business, results of operations and financial position are described from time to time in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, Quarterly Reports on Form 10-Q and the Company’s other filings with the Securities and Exchange Commission. The Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as may be required by applicable law.

## **JACK Entertainment Information**

The Company makes no representation as to the accuracy or completeness of the information regarding JACK Entertainment LLC (“JACK”) included in this presentation. Certain financial and other information for JACK included in this presentation has been derived from publicly available presentations and press releases.

## **Market and Industry Data**

This presentation contains estimates and information concerning the Company's industry and certain relevant markets, including macroeconomic data and gross gaming revenue (“GGR”), that are based on industry publications, reports and public filings. This information involves a number of assumptions and limitations, and you are cautioned not to rely on or give undue weight to this information. The Company has not independently verified the accuracy or completeness of the data contained in these industry publications, reports or filings. The industry in which the Company operates is subject to a high degree of uncertainty and risk due to variety of factors, including those described above under “Forward-Looking Statements.”

## **Non-GAAP Financial Measures**

This presentation includes reference to Adjusted Funds From Operations (“AFFO”), and Adjusted EBITDARM, which are not required by, or presented in accordance with, generally accepted accounting principles in the United States (“GAAP”). These are non-GAAP financial measures and should not be construed as alternatives to net income or as an indicator of operating performance (as determined in accordance with GAAP). We believe AFFO provides a meaningful perspective of the underlying operating performance of our business. We use Adjusted EBITDARM to evaluate the capacity of the tenant under the lease agreement for JACK Cleveland / Thistledown to meet its obligations thereunder.

These non-GAAP financial measures: (i) do not represent cash flow from operations as defined by GAAP; (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (iii) are not alternatives to cash flow as a measure of liquidity. In addition, these measures should not be viewed as measures of liquidity, nor do they measure our ability to fund all of our cash needs, including our ability to make cash distributions to our stockholders, to fund capital improvements, or to make interest payments on our indebtedness. Investors are also cautioned that Adjusted EBITDARM, as presented, may not be comparable to similarly titled measures reported by other real estate companies, including REITs, due to the fact that not all real estate companies use the same definitions. Our presentation of these measures does not replace the presentation of our financial results in accordance with GAAP.

# JACK CLEVELAND/THISTLEDOWN – ACQUISITION STRATEGIC RATIONALE



## Transaction Highlights

- ✓ Attractive acquisition cap rate of 7.8% for the urban real estate of JACK Cleveland Casino and for JACK Thistledown Racino (collectively, “JACK Cleveland / Thistledown”)
- ✓ Transaction is immediately accretive to AFFO
- ✓ Fifth tenant partnership formed since 2017, demonstrating VICI’s success in diversifying its tenant base
- ✓ Strong revenue and EBITDARM performance at JACK Cleveland / Thistledown year-over-year, with exceptional performance under the JACK Entertainment team and \$30 million of additional growth capex to be invested over the next 24 – 36 months
- ✓ Increases annual rental revenue by \$65.9 million with initial rent coverage of 1.71x<sup>1</sup>
- ✓ Corporate guarantee by Rock Ohio Ventures
- ✓ VICI providing a secured \$50 million loan to JACK Entertainment at a 9.0% interest rate

## Diversifying Tenant Relationships

- ✓ Transaction creates a new tenant partnership with JACK Entertainment
- ✓ Continuity of management at the JACK Cleveland Casino and JACK Thistledown Racino
- ✓ Establishment of a relationship with Dan Gilbert and affiliates for future business opportunities

## Attractive Regional Markets

- ✓ Expands VICI’s footprint in Ohio, one of the best performing regional gaming markets
- ✓ Favorable regulatory environment given high barriers to entry as only four land-based casinos are currently allowed to operate in Ohio
- ✓ Demonstrated commitment by JACK Entertainment and affiliated companies to the markets

## LTM Q3’19 Financials

(\$ in millions)

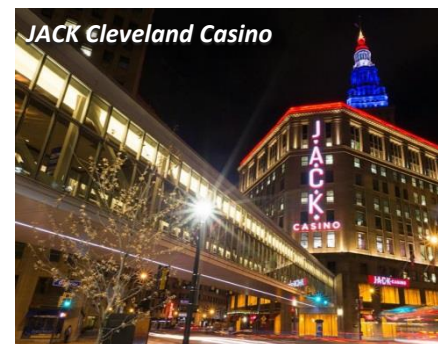
Net Revenues	\$ 374.8
Adj. EBITDARM <sup>2</sup>	\$ 112.8
Margin	30.1 %

1. Initial rent coverage does not include \$5.1 million of estimated costs needed to replace services currently provided centrally by JACK Entertainment LLC pursuant to a management agreement and subject to the management fee charged to the properties. Inclusive of these estimated costs, the initial rent coverage is 1.64x. See page 10 of this presentation for additional detail.

2. See page 10 of this presentation for a reconciliation to the most comparable GAAP financial measure.

# JACK CLEVELAND/THISTLEDOWN – TRANSACTION OVERVIEW

JACK Cleveland/Thistledown Acquisition		JACK Entertainment Partnership	
PropCo Purchase Price	\$843.3 million	Tenant	Subsidiary of JACK Ohio Finance LLC
LTM Q3 2019 Adj. EBITDARM <sup>1</sup>	\$112.8 million	Guarantor	Rock Ohio Ventures LLC
Initial Rent Coverage <sup>2</sup> Initial Rent	1.71x \$65.9 million	Lease Term	Initial term of 15 years, followed by four 5-year renewal options (at Tenant's option)
PropCo Multiple Implied RE Cap Rate	12.80x 7.8%	Annual Escalator Summary <sup>3</sup>	1.0% in years 2-3, 1.5% in years 4-6 and the greater of 1.5% and CPI beginning in year 7 <sup>4</sup>



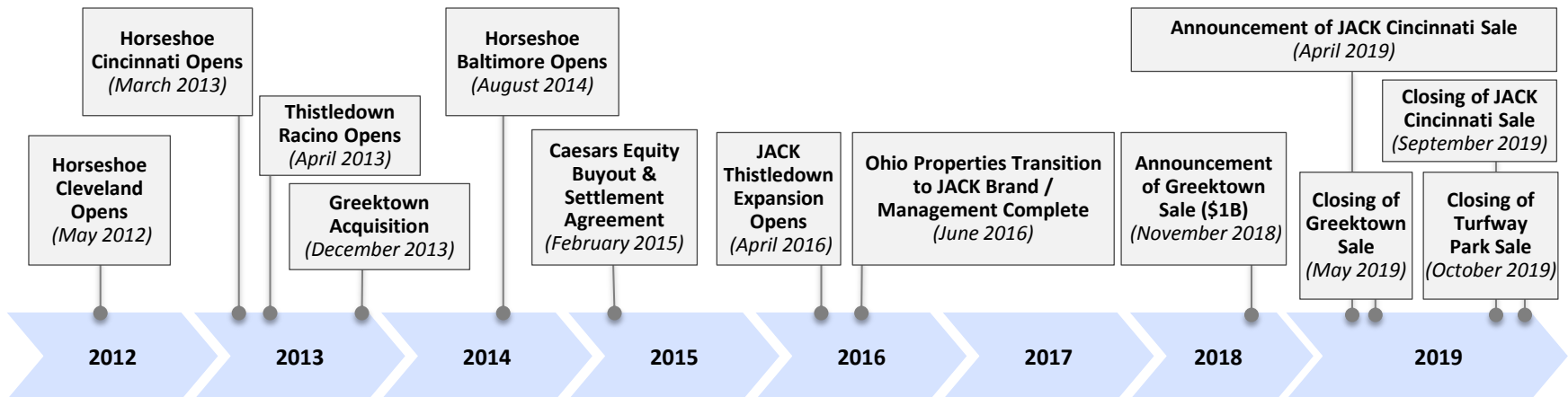
1. See page 10 of this presentation for a reconciliation to the most comparable GAAP financial measure. Does not include potential synergies or pro forma corporate overhead.
2. Initial rent coverage does not include \$5.1 million of estimated costs needed to replace services currently provided centrally by JACK Entertainment LLC pursuant to a management agreement and subject to the management fee charged to the properties. Inclusive of these estimated costs, the initial rent coverage is 1.64x. See page 10 of this presentation for additional detail.
3. In any lease year (commencing in lease year 5) if the escalator will cause the minimum rent coverage ratio (based on a ratio of net revenue to rent) to be less than 4.90:1.00, there will be no escalation in rent for such lease year.
4. Annual escalation capped at 2.5%.

# NEW PARTNERSHIP WITH JACK ENTERTAINMENT

## JACK Entertainment Overview

- JACK Entertainment LLC (“JACK”) is a Detroit-based urban gaming company currently controlled by Dan Gilbert and affiliates. JACK is part of the Rock Ventures Family of Companies, which employs nearly 4,500 team members in the greater Cleveland area at Quicken Loans, Bedrock, the Cleveland Cavaliers, and Rocket Mortgage FieldHouse
  - Over the past 10 years, the Rock Ventures Family of Companies has increased its investments and commitment to the long-term future of Cleveland with JACK focused on the development and operation of gaming facilities in the Ohio market
- In 2011, JACK and Caesars Entertainment (“Caesars”) partnered to develop two full-scale casinos in Ohio (current JACK Cincinnati and JACK Cleveland) as well as Thistledown Racino. JACK obtained 100% ownership of the Ohio properties in February 2015, fully assuming day-to-day management in June 2016. Since 2012, JACK has invested over \$700mm of capital into these assets
  - Between September 30, 2018 and September 30, 2019, LTM EBITDARM of JACK Cleveland / Thistledown improved 7.5%<sup>1</sup>
  - Other JACK assets include the Higbee building, Huron Road Development Site, the May Company Garage and a ~31% equity stake in Horseshoe Baltimore
  - In 2013, JACK acquired 100% ownership of Greektown Casino-Hotel (subsequently sold in May 2019), and EBITDARM improved substantially to date with similar outperformance achieved at JACK Cleveland / Thistledown

## JACK Entertainment History



# JACK CLEVELAND CASINO – LEADING URBAN CASINO IN STRENGTHENING OHIO MARKET

## Property Overview

- ✓ JACK Cleveland Casino opened in May 2012 in the historic Higbee Building as the only full-scale urban casino in a 100-mile radius
- ✓ The casino serves the broader Cleveland MSA, which consists of ~2.8 million people, and generates over 3.2 million visits annually
- ✓ Connected to the 205-key Ritz-Carlton and 440-key Renaissance hotels
- ✓ 670 new parking spaces will be connected directly to JACK Cleveland via a pedestrian bridge between the Higbee Building and the May Company parking garage, in addition to the current 1,300 parking spaces
- ✓ In addition to JACK's casino presence, JACK's nearby sister companies, such as the Cleveland Cavaliers, Avenue Shops at Tower City and the May Company Building, demonstrate commitment to the market

## Asset Highlights

- ✓ Fastest growing full-scale casino in the state of Ohio in the year to date<sup>1</sup>
- ✓ Located in the heart of downtown within walking distance to sports arenas and growing nightlife
- ✓ Planned capital projects at JACK Cleveland include the May Co. Garage renovation and connection to the casino, as well as an expansion to the gaming space
- ✓ Immediate high-ROI capital projects include the Vintage Bar gaming expansion, ClubJACK relocation and the creation of a High Limit Bar

## JACK Cleveland

~96,000

Sq. ft. of gaming space

1,329

Gaming machines

124

Table games

8

Restaurants / bars



# JACK THISTLEDOWN RACINO – NEWLY REFURBISHED RACINO SERVING CLEVELAND MSA

## Property Overview

- ✓ JACK Thistledown Racino opened in April 2013 in North Randall, Ohio, and is the leading thoroughbred racino in the Cleveland MSA
- ✓ The property underwent an 18-month \$75 million expansion and refurbishment between 2015 and 2017
- ✓ The racetrack hosts races every May through October and is host to the Ohio Derby, Ohio's most prestigious race
- ✓ JACK Thistledown generates over 1.6 million visits annually across its 57,000 square feet of gaming space
- ✓ The property features 2,400 parking spaces and is beneficially located across the street from the new Amazon Distribution Center, which employs approximately 2,000 people

## Asset Highlights

- ✓ One of the fastest growing gaming properties in Ohio with ~11% gaming revenue growth year to date<sup>1</sup>
- ✓ Racetrack hosts Ohio's most prestigious horse race, the Ohio Derby
- ✓ ~\$100 million of capital investments have been made in JACK Thistledown since the initial investment
- ✓ Additional property upgrades are expected to open in late 2020

## JACK Thistledown Racino

~57,000

Sq. ft. of  
gaming space



1,477

Gaming machines



6

Restaurants / bars



129

Acres of property

# OHIO IS A WELL POSITIONED MARKET WITH STRONG ORGANIC GROWTH TRENDS

## Market & Regulatory Overview

### Market Highlights

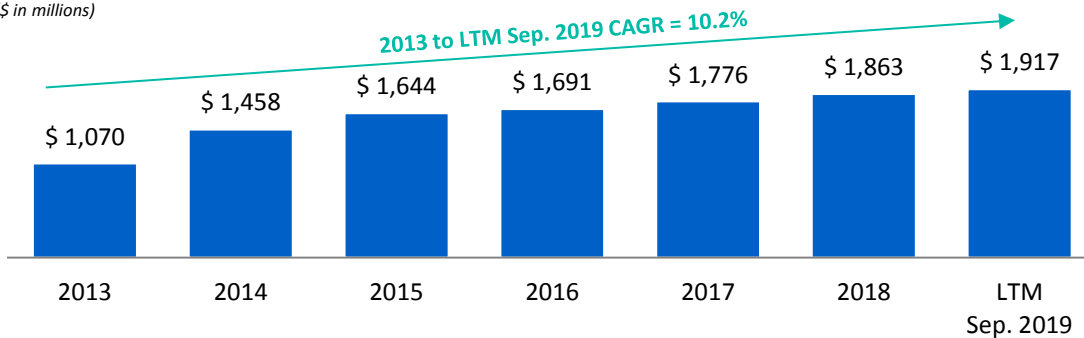
- ✓ Ohio has quickly become one of the largest regional gaming markets with \$1.9bn of GGR as of LTM September 2019
- ✓ The Cleveland MSA includes approximately 2.8 million residents, with the majority inside urbanized areas
- ✓ Strong macroeconomic drivers, including employment growth and a diverse economy
- ✓ The number of jobs in Ohio is expected to increase by ~250,000 over 2016 – 2026, or 4.4%

### Regulatory Highlights

- ✓ Casino gaming was legalized in Ohio by amending the Ohio Constitution in 2009
- ✓ Favorable competitive environment with no new gaming licenses expected and only a limited number currently available (4 casino licenses and 7 video lottery terminal facilities licensed)<sup>1</sup>
  - Toledo, Cincinnati, Cleveland and Franklin County (Columbus) are each authorized to have one casino facility

## Strong GGR Growth in New Gaming Market

(\$ in millions)

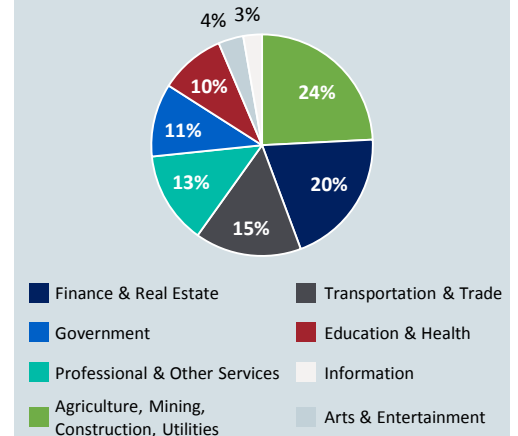


## Favorable Macroeconomic Trends

### Ohio Employment Growth



### Ohio GDP By Sector (2018)



# JACK CLEVELAND/THISTLEDOWN LEASE AGREEMENT OVERVIEW

Initial Cash Rent	\$65.9 million
Annual Escalator <sup>1</sup>	1.0% in lease years 2-3 1.5% in lease years 4-6 > of 1.5% and CPI beginning in lease year 7 <sup>2</sup>
Rent Adjustment	Year 8: 80% Base (subject to escalator) / 20% Variable
Variable Rent Adjustment Mechanic	<u>4% of net revenue increase / decrease</u> Year 8: Average of years 5-7 less average of years 1-3 Year 11: Average of years 8-10 less average of years 5-7
Term	15-year initial term with four 5-year renewal options
Guarantor	Rock Ohio Ventures LLC
Capex	Minimum of \$30 million in first 3 years <sup>3</sup> 1.0% of net revenues beginning in lease year 4 <sup>4</sup>

1. In any lease year (commencing in lease year 5) if the escalator will cause the minimum rent coverage ratio (based on a ratio of net revenue to rent) to be less than 4.90:1.00, there will be no escalation in rent for such lease year.
2. Annual escalation capped at 2.5%.
3. Minimum of \$30 million includes amounts spent on gaming equipment and the May Company Garage from the period commencing April 1, 2019 until December 31, 2022.
4. 25% of JACK's expenditures on gaming equipment may be credited towards the minimum capex requirements in lease years 4-10. 1.0% of net revenue calculated on a rolling 3-year basis.

# RECONCILIATION FROM GAAP TO NON-GAAP FINANCIAL MEASURES

## CALCULATION OF JACK CLEVELAND/THISTLEDOWN ADJUSTED EBITDARM

(\$ in millions)	Last Twelve Months Ended September 30, 2019	Last Twelve Months Ended September 30, 2018
<b>Net Income</b>	<b>\$ 62.6</b>	<b>\$ 51.5</b>
Management Fees	12.7	11.9
Depreciation and Amortization	30.7	34.8
JACK Cleveland Rent	6.6	6.4
Other <sup>1</sup>	0.2	0.2
<b>Adjusted EBITDARM</b>	<b>\$ 112.8</b>	<b>\$ 104.9</b>
<i>Year-Over-Year Adjusted EBITDARM Increase (%)</i>	<i>7.5%</i>	
Pro Forma Corporate Overhead <sup>2</sup>	(5.1)	
<b>Adjusted EBITDARM (Incl. Pro Forma Corporate Overhead)</b>	<b>\$ 107.7</b>	
Year 1 Annual Rent	65.9	
<b><i>Pro Forma Rent Coverage (Excl. Pro Forma Corporate Overhead)</i></b>	<b><i>1.71x</i></b>	
<b><i>Pro Forma Rent Coverage (Incl. Pro Forma Corporate Overhead)</i></b>	<b><i>1.64x</i></b>	