



total cash burn of \$1 million in 2018. Using our projected total debt of \$11.25 billion and cash interest of \$603 million, we estimate MGM will end the year with leverage of 4.5x and coverage of 4.1x. Factoring consolidated cash of \$2.00 billion, we estimate net leverage at 3.7x.

Downside risks to our call include lower-than-expected convention volumes, unfavorable table hold in Macau may lead to EBITDA coming in below expectations.

MGM Growth Properties. We continue to believe that MGP will continue to utilize its premium valuation, ample liquidity, and low-cost debt to complete leverage neutral acquisitions. While we expect MGP to engage in transactions with additional tenants besides MGM, we believe the most immediate opportunity for the company is to acquire joint venture properties. In addition to an embedded negotiating edge, these acquisitions may play a significant role in making MGM a simpler story. A transaction with CityCenter or an acquisition of MGM Springfield is a simple avenue for growth. At this juncture, we are reaffirming our Buy rating on MGP's 5.625% Senior Unsecured Notes 2024 (\$107.2, 4.3% YTW, 191bps STW) and MGP's 4.5% Senior Unsecured Notes 2026 (\$100.5, 4.4% YTW, 205bps STW).

Exhibit 5: MGM Growth Properties (\$ Millions)

	2016(A)	LTM	2017(E)	2018(E)
<b>Adjusted EBITDA</b>	<b>\$407</b>	<b>\$644</b>	<b>\$659</b>	<b>\$751</b>
Capital Expenditures	0	0	0	0
Dividends	151	378	385	460
Interest Expense	83	170	170	160
<b>Free Cash Flow</b>	<b>\$174</b>	<b>\$96</b>	<b>\$104</b>	<b>\$131</b>
Debt	\$3,683	\$4,000	\$3,972	\$3,842
Cash	360	235	235	235
<b>Leverage</b>	<b>9.0x</b>	<b>6.2x</b>	<b>6.0x</b>	<b>5.1x</b>
<b>Coverage</b>	<b>4.9x</b>	<b>3.8x</b>	<b>3.9x</b>	<b>4.7x</b>
<b>Net Leverage</b>	<b>8.2x</b>	<b>5.8x</b>	<b>5.7x</b>	<b>4.8x</b>

Source: Company Filings and Deutsche Bank

For 2017, we project MGP to generate Adjusted EBITDA of \$659 million (versus \$407 million). Factoring in dividends of \$385 million and interest expense of \$170 million, we expect MGP to generate free cash flow of \$104 million. Based on an estimated total debt of \$3.97 billion, we anticipate leverage at 6.0x at the end of the year. Factoring in a cash balance of \$235 million, we estimate net leverage of 5.7x.

For 2018, we project MGP to generate Adjusted EBITDA of \$751 million (+14.0% versus \$659 million). Factoring in dividends of \$460 million and interest expense of \$160 million, we expect MGP to generate free cash flow of \$131 million. Based on an estimated total debt of \$3.84 billion, we anticipate leverage at 5.1x at the end of the year. Factoring in a cash balance of \$235 million, we estimate net leverage of 4.8x.

Downside risks include (1) tenant and geographic concentration, (2) the business model's reliance on capital markets for acquisitions, and (3) a perceived lack of independence given MGM's ownership. Upside risks: MGP reducing its leverage with the proceeds from an equity offering.