



\$93 million, distributions to the tribe of \$60 million, investments in affiliates of \$4 million, and no proceeds from affiliates, we project free cash flow of \$24 million in 2018. Using our projected total debt of \$1.57 billion and cash interest of \$93 million, we estimate Mohegan will end the year with leverage of 4.2x and coverage of 4.0x. Factoring non restricted cash of \$89 million, we estimate net leverage at 4.0x.

For FY'19, we are projecting Mohegan will generate Adjusted EBITDA of \$290 million (-22.5% versus \$375 million) on revenues of \$1.20 billion (-13.5% versus \$1.39 billion). Factoring capital expenditures of \$105 million, cash interest of \$88 million, distributions to the tribe of \$60 million, investments in affiliates of \$4 million, and proceeds from affiliates of \$89 million, we project free cash flow of \$122 million in 2019. Using our projected total debt of \$1.40 billion and cash interest of \$88 million, we estimate Mohegan will end the year with leverage of 4.8x and coverage of 3.3x. Factoring cash of \$88 million, we estimate net leverage at 4.5x.

For FY'20, we are projecting Mohegan will generate Adjusted EBITDA of \$235 million (-19.0% versus \$290 million) on revenues of \$1.08 billion (-10.0% versus \$1.20 billion). Factoring capital expenditures of \$45 million, cash interest of \$85 million, distributions to the tribe of \$50 million, investments in affiliates of \$4 million, and no proceeds from affiliates, we project free cash flow of \$51 million in 2020. Using our projected total debt of \$1.35 billion and cash interest of \$85 million, we estimate Mohegan will end the year with leverage of 5.7x and coverage of 2.8x. Factoring consolidated cash of \$88 million, we estimate net leverage at 5.3x.

Exhibit 5: Mohegan Tribal Gaming (\$ Millions)					
	2016 (A)	2017 (A)	2018 (E)	2019 (E)	2020 (E)
Adjusted EBITDA	\$343	\$349	\$375	\$290	\$235
Less: Capital Expenditures	\$54	\$100	\$194	\$105	\$45
Less: Cash interest	133	94	93	88	85
Less: Distributions to the Tribe	53	60	60	60	50
Less: Investments in affiliates	8	4	4	4	4
Plus: Proceeds from affiliates	14	0	0	89	0
Free Cash Flow	\$110	\$92	\$24	\$122	\$51
Total Debt	\$1,710	\$1,692	\$1,574	\$1,397	\$1,345
Total Cash	290	237	143	88	88
Leverage	5.0x	4.8x	4.2x	4.8x	5.7x
Net Leverage*	4.7x	4.6x	4.0x	4.5x	5.3x
Coverage	2.6x	3.7x	4.0x	3.3x	2.8x

*Excludes restricted cash. Source: Company Filings and Deutsche Bank

Risk to our call includes a deterioration of gaming fundamentals and higher-than-expected cannibalization from the expansion of gaming at Massachusetts.

Penn National Gaming. Adjusting for cash settled stock costs and one-time acquisition expenses; Penn National was able to report a modest EBITDA beat (~\$1 million) against our expectations owing to higher than expected revenues, partially offset by slightly lower-than-expected margins. While results were strong and management commentary regarding current trends was positive, we believe investor focus was on the announcement of several initiatives to increase profitability. While management provided limited color on specific measures, we do believe that the targets of the plan are achievable, especially if the company is able to drive incremental revenue of 2-3%.