

BUY: Penn National Gaming

Consumer Discretionary Team

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Wednesday, May 4th 2022

Executive Summary

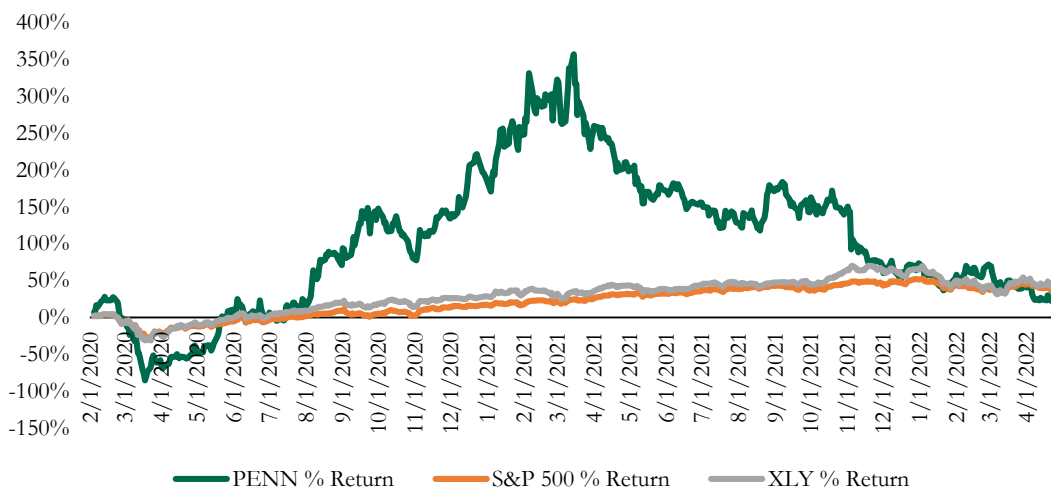


Consumer Discretionary Sector | NASDAQ: PENN

Buying Opportunity

- In February 2020, PENN announced its **investment in Barstool Sports** and subsequent launch of BS Sportsbook
- Post acquisition, PENN was swept up in a rally based on **boosted sentiment** surrounding online sports betting
- Due to Covid-19, intense OSB competition, and negative press compounding the effect of earnings misses, PENN has **returned to pre-pandemic valuations**
- We believe the market **has incorrectly lost faith** in PENN's **long-term initiatives** and assigns no value beyond the casino operations

Historical Performance



Investment Thesis

- 1 Continued Strength in Retail Casinos
- 2 Unique Customer Acquisition Strategy
- 3 Margin Expansion in Interactive Segment

Allocation Proposal

Buy: 100 Shares
Value: ~\$3700
CD Weight: 7%
BIF Weight: .7%



CD Outlook: The sector could face macro headwinds with a looming recession; we are looking for long-term (2+ years) plays at valuable pricing

Company Profile



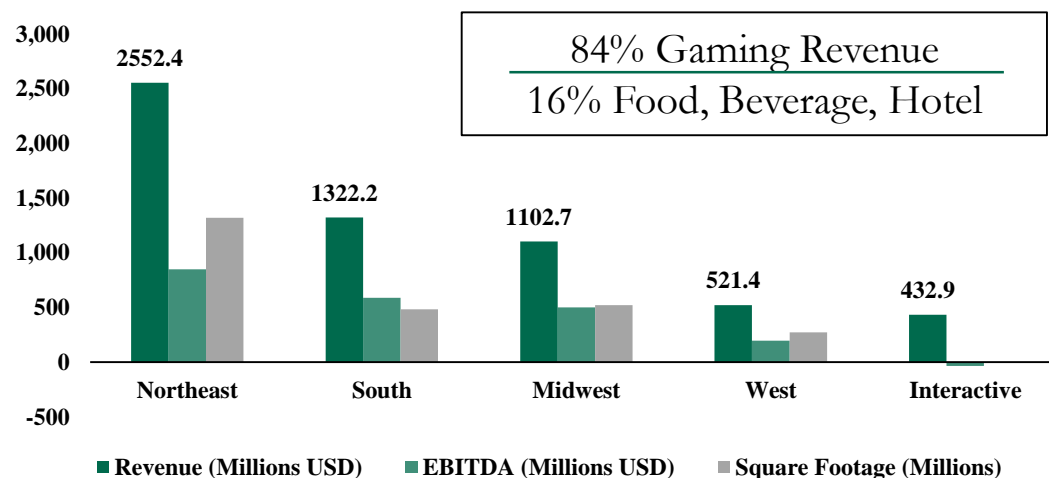
Overview

- PENN is a **nationwide retail casino and gaming operator** featuring 48000 gaming machines, 1300 table games and 8800 hotel rooms across its **44 casino and racing facilities located in 20 states**
- **While ~93% of revenue is generated from casino and racing operations**, PENN's Interactive Segment operates retail sports betting, online sports betting, online social casino, and other "iGaming/iCasino" products
- Acquired a 36% stake in Barstool (\$163M) in 2020 and the entirety of theScore Media (\$2B) in 2021 as part of the firm's **long-term strategy of transitioning to the best omnichannel provider of gaming and betting entertainment**
 - Barstool: Will increase stake to a minimum of 50% in '23 but plan acquire entire brand
- Announced a \$750 million share repurchase program over three years in February 2022

Key Statistics

Current Share Price	\$37.88
52 Week Range	\$35.70 – 96.24
Market Cap.	\$6.4 B
Enterprise Value	\$16.1 B
FY '21 EPS	\$2.94
IPO	May 1994

Segment Breakdown

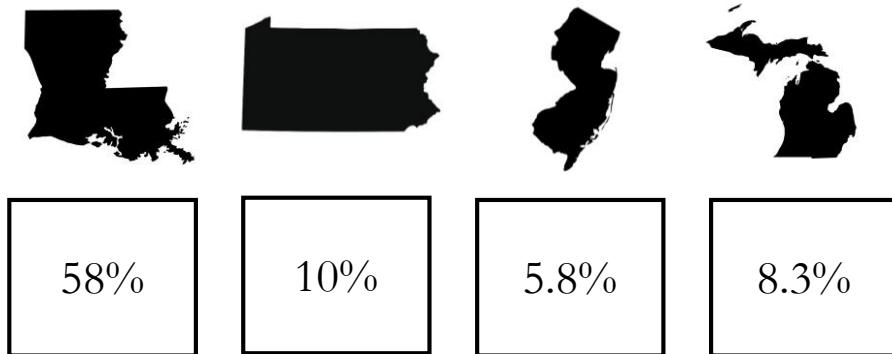


Industry Overview

Industry Highlights

- **Record US Gaming Rev:** \$53B, up 21% from '19 to '21
 - Foot traffic remains below pre-pandemic levels but GGR per visit is rising
- **Youth Appeal:**
 - Rise of Online Gambling, Live Online
 - 55% of aged 20-39 sports fans say they sports bet
 - Introduction of Skill Based Games
- **Marketing Frenzy:** \$2.1B in OSB Ad Spend '22E

Handle Market Share by Key State

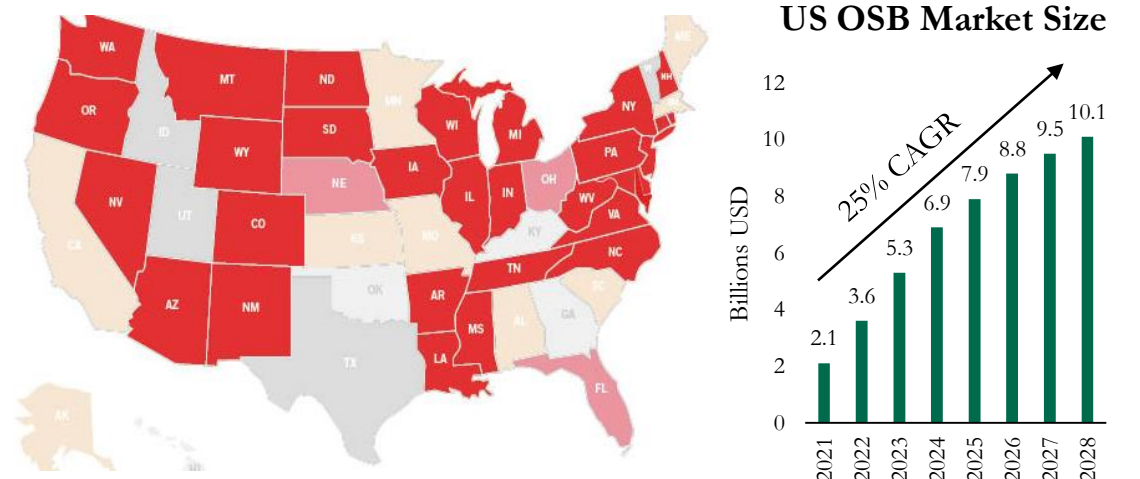


Nationwide Retail Sports Bet Market Share: **12%**

Competitors



US Sports Betting Market Outlook



Strength in Retail Casinos



Transition into 3C's

- **3C's** technology: **Cardless, Cashless, Contactless**
 - Efficient, engaging, and convenient
- Customers can use the **mywallet** app for transactions at slot machines and table games
 - Eliminated wait times at tables and in line
- Example of integrated **omnichannel** technology to provide customers with a seamless experience at physical locations and online
 - Currently in 8 properties compared to 3 in Q3 2021

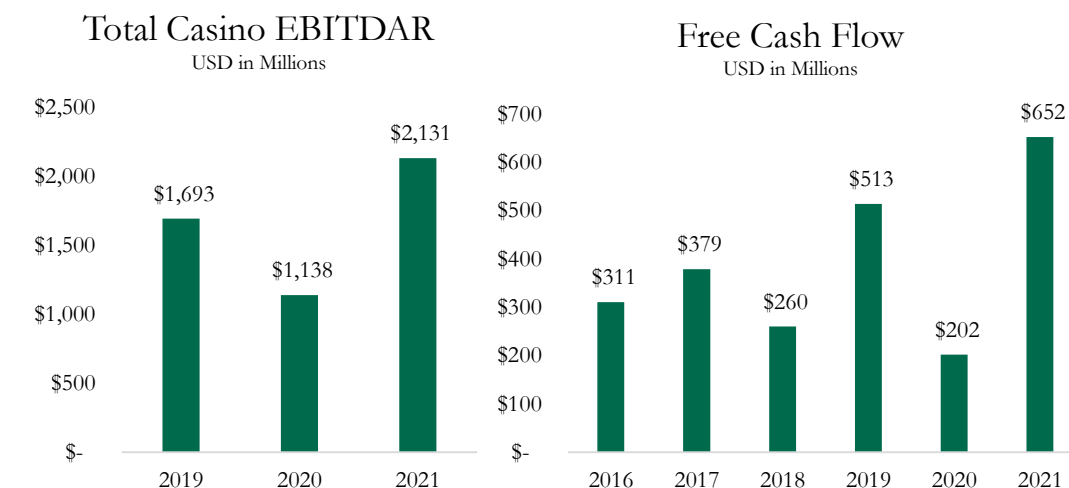
Growing Engagement of Younger Demographics

- 1 **Cashless** payment system **aligns** with the daily lives of younger consumers
- 2 Casinos and bars have been **rebranded** to be **Barstool Sports** themed.
- 3 Barstool social media reach is now **144 million** users, YoY growth of **25%**

Opening of New Casinos

- Hollywood Casino Morgantown opened in December 2021
 - Modern Sportsbook with **full 3C integration** in table gaming, slot machines, and food and beverages
- Barstool Sportsbook has been added to 5 casinos in Louisiana
 - **58%** Market Share and **53%** of gross gaming revenue
- **Leading** retail **sportsbook** in WV, IN, IA, MI, CO, and LA
 - Positioned for same success in Ohio and future casino locations

Stable Cash Flow Generation



Customer Acquisition Strategy

Overview

- Plans to leverage a **loyal fanbase** from their investments in **theScore** and **Barstool Sports**, conserving cash and increasing **long-term customer retention rates**
- Top competitors have spent large percentages of revenue on **marketing campaigns** and **promotional deals**
- Strong social media presence and **influential personalities** will **naturally attract** consumers to the platform

Cross-Selling Integration



Full ownership of Barstool Sports in 2023 will increase the **customer base** and **brand loyalty** through the popularity of **Barstool iCasinos**, bars, podcasts, and merchandising

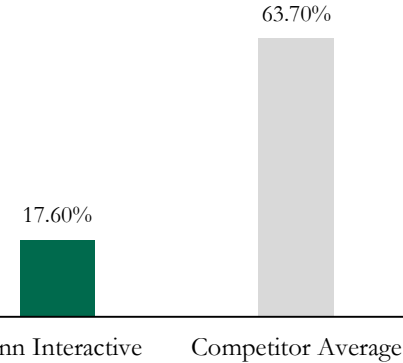


First mover in the Canadian mobile sports app industry, **seamlessly transitioning** Canadian users to Barstool and **expanding margins** as a result of **effective marketing**

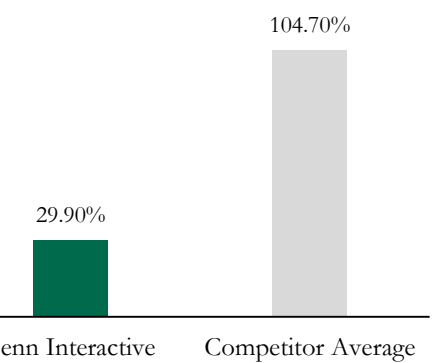
Fully integrate sports news, media, and gambling in one interface

Organic OSB Retention

Marketing as % of GGR



Marketing as a % of NGR



Spent **significantly less** on marketing while competitors **burned cash**

Canadian Influence

1

20% of Canadians have already downloaded theScore app, **topping** Canadian app downloads **since its launch**

2

Legalization of online sports betting in Ontario in April creates a **new opportunity** to gain **significant market share**

3

TheScore's **strategic partnership** with the Toronto Blue Jays provides an **exclusive marketing opportunity** in Canada

Margin Expansion in Interactive Segment



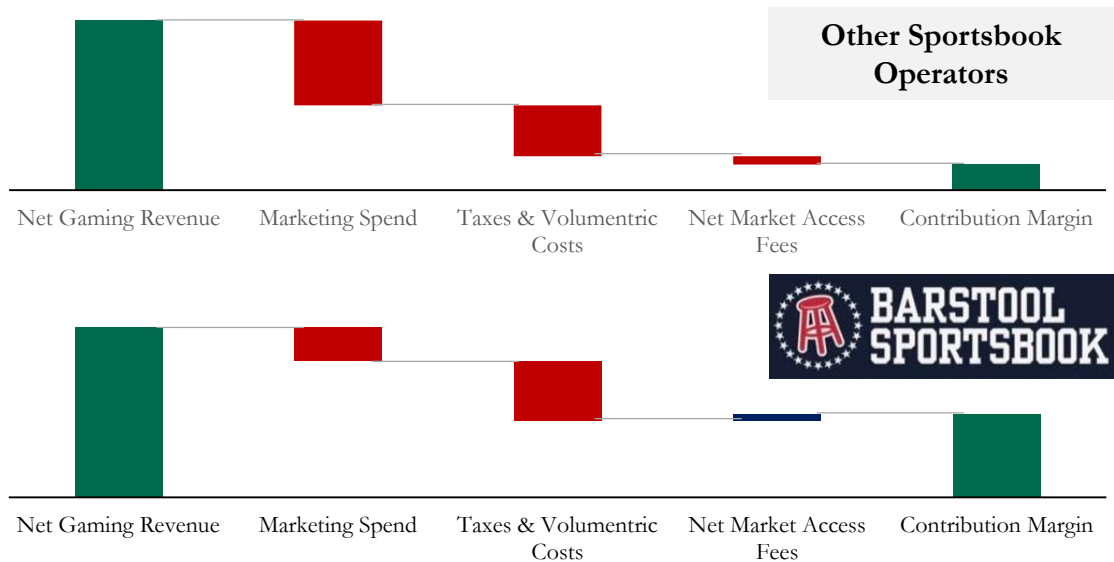
Interactive Segment Overview

Barstool Sportsbook and Casino
Online sports betting and casino app

Penn Interactive
Operates retail sportsbooks across company portfolio

- iGaming platforms**
1. theScore – delivers personalized scores and news
 2. Barstool – strategic partnership to promote retail gaming and racing properties

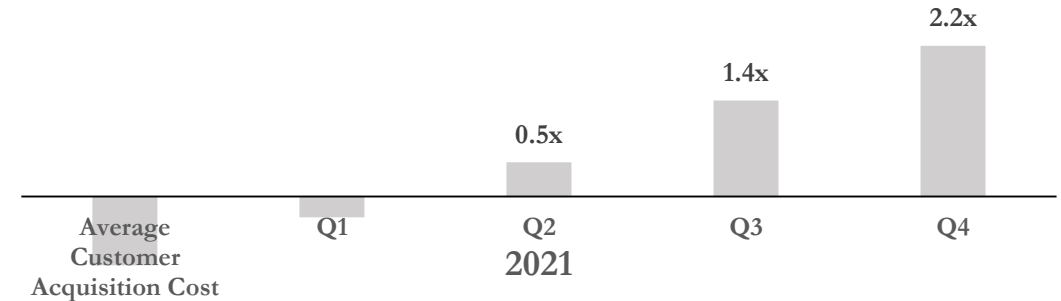
Illustrative Contribution Margin



Barstool Sportsbook Return on Investment

Lower customer acquisition costs and high retention rates provide favorable return on investment from online sports betting

Cumulative Net Contribution Margin Payback



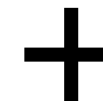
Strategy Changes

Lower Marketing Spend

Organic customer acquisition and recurring promotion from Barstool Sports and theScore

Market Access Savings

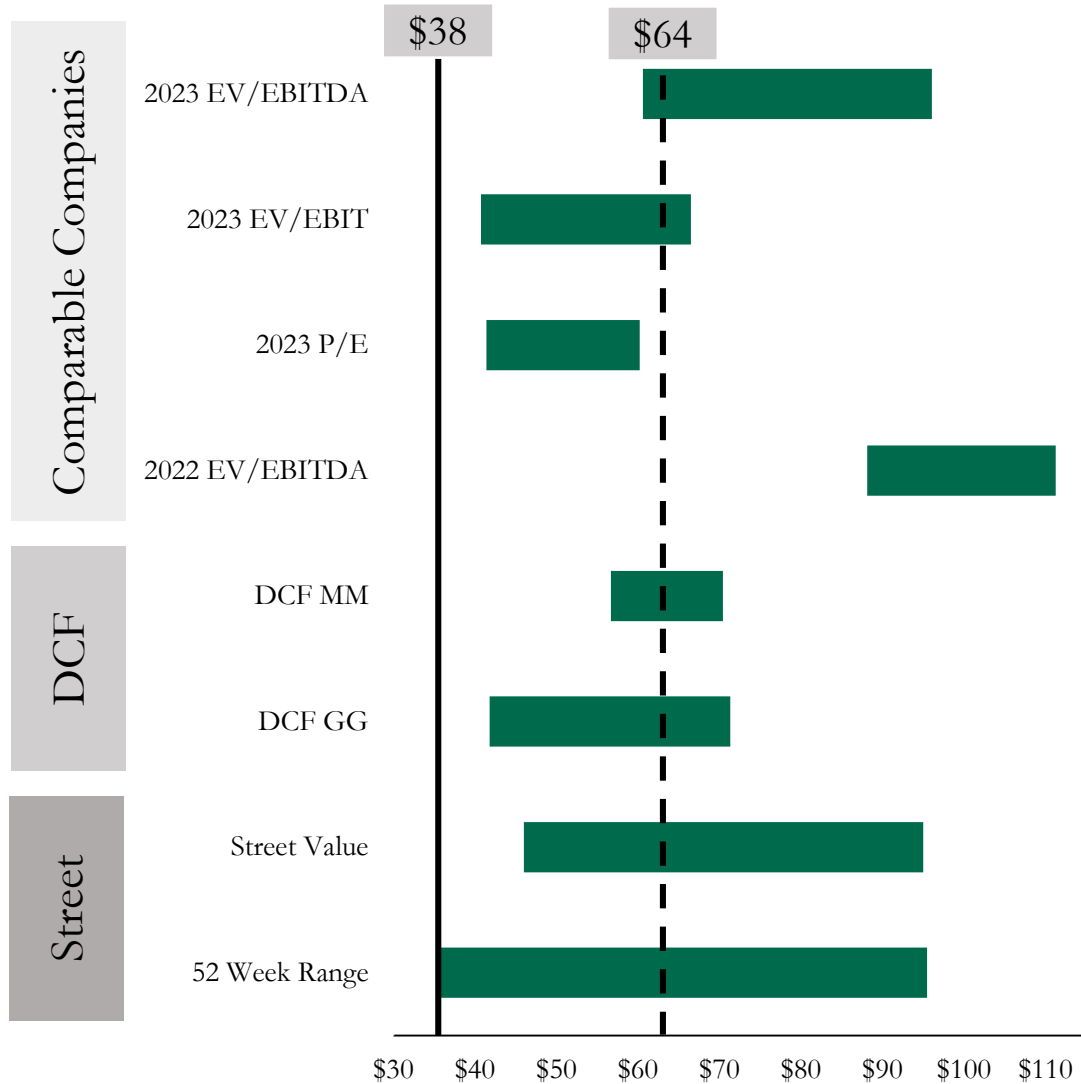
This comes from casino footprint, while excess skins provide recurring and high margin revenue streams



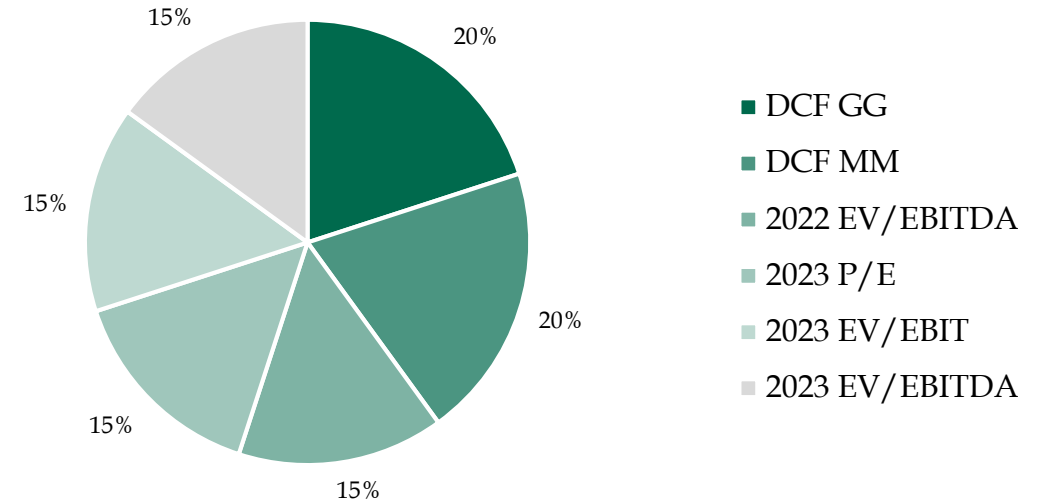
Long-Term Margin Advantages

Valuation

Football Field Analysis



Assumption Weights



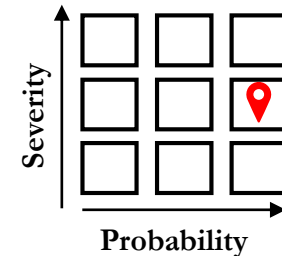
Analysts Ratings

Credit Suisse	Buy	\$95 PT
Goldman Sachs	Buy	\$71 PT
Berenberg	Buy	\$65 PT
Macquarie	Buy	\$72 PT
Morgan Stanley	Buy	\$51 PT
JP Morgan	Buy	\$58 PT

Investment Risks

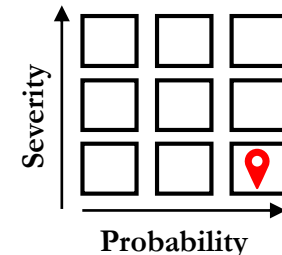
Outlook for consumer confidence and discretionary spending is poor

Strong balance sheet to withstand near-term headwinds, with less dependence on travel



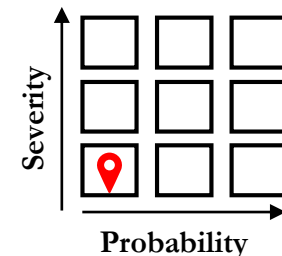
Key Man Risk: Barstool media personalities continue to have bad press

The Barstool fan base is extremely loyal and recent accusations have led nowhere



Competitors continue intense marketing campaigns to secure market share

PENN's diversified portfolio and omnichannel approach should continue to deliver value beyond OSB



Thank You



Questions?

BUY: PENN

TGT Price: \$64

Upside: 67%

Income Statement



Penn National Gaming, Inc.								
Income Statement								
<i>Figures in Millions</i>								
	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Total revenues	\$ 5,301	\$ 3,579	\$ 5,905	\$ 6,617	\$ 7,347	\$ 8,026	\$ 8,609	\$ 9,074
<i>% growth</i>		-32%	65%	12%	11%	9%	7%	5%
Cost of Revenue	2,955	1,868	3,148	3,705	4,188	4,414	4,649	4,809
<i>% of sales</i>	56%	52%	53%	56%	57%	55%	54%	53%
Gross Profit	2,347	1,711	2,757	2,911	3,159	3,612	3,960	4,265
General and administrative	1,188	1,131	1,353	1,696	1,884	2,058	2,207	2,326
<i>% of sales</i>	22%	32%	23%	26%	26%	26%	26%	26%
Depreciation and amortization	414	367	345	306	336	351	348	358
<i>% of CapEx</i>	217%	268%	141%	120%	116%	110%	103%	100%
Impairment losses	173.1	623.4	0	0	0	0	0	0
Total operating expenses	4,730	3,989	4,845	2,002	2,219	2,409	2,555	2,684
Operating income (loss)	572	(410)	1,060	909	940	1,203	1,405	1,581
Interest expense, net	(534)	(543)	(562)	(562)	(562)	(562)	(562)	(562)
Income from unconsolidated affiliates	28	14	39	39	39	39	39	39
Loss on early extinguishment of debt	0	(1)	0	0	0	0	0	0
Other	20	107	3	3	3	3	3	3
Total other expenses	(486)	(424)	(521)	(521)	(521)	(521)	(521)	(521)
Income (loss) before income taxes	86	(834)	539	389	420	683	885	1,060
Income tax benefit (expense)	(43)	165	(119)	191	197	253	295	332
<i>Tax Rate</i>	8%	40%	11%	21%	21%	21%	21%	21%
Net income (loss)	43	(669)	421	198	222	430	590	728
Less: Net (income) loss attributable to non-controlling interest	0.8	(0.4)	0.3	0.3	0.3	0.3	0.3	0.3
Net income (loss)	44	(670)	421	198	222	430	590	728
Earnings Per Share [Abstract]								
Basic earnings (loss) per share (in dollars per share)	\$ 0.38	\$ (5)	\$ 2.64					
Diluted earnings (loss) per share (in dollars per share)	\$ 0.37	\$ (5)	\$ 2.48					
Weighted-average common shares outstanding - basic (in shares)	116	134	159					
Weighted-average common shares outstanding - diluted (in shares)	118	134	176					
Gaming								
Total revenues	\$ 4,269	\$ 3,051	\$ 4,945					
Cost of revenue	2,282	1,530	2,541					
Gross Profit	1,987	1,521	2,405					
Food, beverage, hotel and other								
Total revenues	\$ 1,033	\$ 528	\$ 960					
Cost of revenue	673	338	607					
Gross Profit	360	190	352					

Cash Flow Statement 1



Penn National Gaming, Inc.								
Consolidated Statement of Cash Flows								
<i>Figures in Millions</i>								
	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Operating activities								
Net income (loss)	\$ 44	\$ (670)	\$ 421					
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	414	367	345	306	336	351	348	358
<i>% of CapEx</i>	217%	268%	141%	120%	116%	110%	103%	100%
Amortization of items charged to interest expense	8	16	23					
Noncash interest expense	0	0	18					
Noncash operating lease expense	100	120	161					
Change in fair value of contingent purchase price	7	(1)	2					
Gain on acquisition of Sam Houston	0	0	(30)					
Holding loss (gain) on equity securities	(20)	(107)	25					
Loss (gain) on sale or disposal of property and equipment	6	(29)	1					
Noncash rent and interest expense related to the utilization of rent credits	0	287	0					
Income from unconsolidated affiliates	(28)	(14)	(39)					
Return on investment from unconsolidated affiliates	29	22	32					
Deferred income taxes	21	(118)	(5)					
Stock-based compensation	15	15	35					
Impairment losses	173	623	0					
Loss on early extinguishment of debt	0	1	0					
Changes in operating assets and liabilities, net of businesses acquired								
Accounts receivable	27	(17)	(82)					
Prepaid expenses and other current assets	10	14	(32)					
Other assets	(2)	(13)	(22)					
Accounts payable	4	(7)	(30)					
Accrued expenses	(4)	(41)	138					
Income taxes	(7)	(33)	10					
Operating lease liabilities	(139)	(95)	(137)					
Other current and long-term liabilities	48	16	65					
Other	0	0	(3)					
Net cash provided by operating activities	707	341	898					
Investing activities								
Capital expenditures	(191)	(137)	(244)	(255)	(289)	(319)	(338)	(358)
<i>% of sales</i>	4%	4%	4%	4%	4%	4%	4%	4%
Dispositions of property and equipment	1	16	2					
Hurricane Laura insurance proceeds	0	33	0					
Consideration paid for Barstool Sports investment	0	(135)	0					
Consideration paid for acquisitions of businesses, net of cash acquired	(1,359)	(3)	(878)					
Consideration paid for remaining interest of Sam Houston	0	0	(42)					
Proceeds from sale-and-leaseback transactions in conjunction with acquisitions	961	0	0					
Consideration paid for gaming licenses and other intangible assets	(12)	(5)	(24)					
Acquisition of equity securities	(5)	0	(26)					
Additional contributions to joint ventures	(0)	(5)	(1)					
Other	(2)	3	(8)					
Net cash used in investing activities	(607)	(234)	(1,222)					

Cash Flow Statement 2

Penn National Gaming, Inc.			
Consolidated Statement of Cash Flows			
<i>Figures in Millions</i>	2019	2020	2021
Financing activities			
Proceeds from revolving credit facility	412	540	0
Repayments on revolving credit facility	(384)	(680)	0
Proceeds from issuance of long-term debt, net of discounts	0	322	400
Principal payments on long-term debt	(47)	(162)	(64)
Debt and equity issuance costs	0	(7)	(8)
Proceeds from other long-term obligations	0	0	73
Payments of other long-term obligations	(15)	(16)	(17)
Principal payments on financing obligations	(52)	(27)	(36)
Principal payments on finance leases	(6)	(4)	(9)
Proceeds from common stock offerings, net of discounts and fees	0	1,289	0
Proceeds from exercise of options	2	63	11
Repurchase of common stock	(25)	0	0
Proceeds from insurance financing	16	20	27
Payments on insurance financing	(19)	(21)	(27)
Other	(4)	(7)	(10)
Net cash provided by (used in) financing activities	(122)	1,310	340

Balance Sheet

Penn National Gaming, Inc.			
Balance Sheet			
<i>Figure in Millions</i>			
	2019	2020	2021
Current assets			
Cash and cash equivalents	\$ 437	\$ 1,854	\$ 1,864
Accounts receivable, net	89	96	195
Prepaid expenses	77	104	132
Other current assets	40	31	32
Total current assets	643	2,085	2,224
Property and equipment, net	5,120	4,529	4,582
Investment in and advances to unconsolidated affiliates	128	267	255
Goodwill	1,271	1,157	2,823
Other intangible assets, net	2,027	1,514	1,873
Lease right-of-use assets	4,837	4,818	4,853
Other assets	169	298	263
Total assets	14,195	14,667	16,872
Current liabilities			
Accounts payable	40	33	53
Current maturities of long-term debt	63	81	100
Current portion of financing obligations	41	36	39
Current portion of lease liabilities	131	134	143
Accrued expenses and other current liabilities	631	575	799
Total current liabilities	906	860	1,133
Long-term debt, net of current maturities, debt discount and debt issuance costs	2,322	2,231	2,637
Long-term portion of financing obligations	4,102	4,096	4,058
Long-term portion of lease liabilities	4,670	4,578	4,629
Deferred income taxes	245	126	189
Other long-term liabilities	98	119	129
Total liabilities	12,343	12,012	12,775
Commitments and Contingencies			
Stockholders' equity			
Treasury stock, at cost, (2,167,393 shares held in both periods)	1	(28)	(28)
Additional paid-in capital	(28)	3,167	4,240
Accumulated deficit	1,718	(507)	(87)
Accumulated other comprehensive loss	162	0	(54)
Total Penn National stockholders' equity	1,853	2,656	4,098
Non-controlling interest	(1)	(0)	(1)
Total stockholders' equity	1,852	2,656	4,097
Total liabilities and stockholders' equity	14,195	14,667	16,872

Revenue Build 1



Penn National Gaming, Inc.								
Revenue Build (\$USD Millions)	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Northeast								
Gaming	2,117	1,495	2,344	2,626	2,914	3,177	3,399	3,569
<i>% Growth</i>		-29%	57%	12%	11%	9%	7%	5%
<i>% of Total</i>	88%	91%	92%	92%	92%	92%	93%	93%
Food and Beverage	155	69	103	116	127	137	146	153
<i>% Growth</i>		-56%	50%	12%	10%	8%	6%	5%
<i>% of Total</i>	6%	4%	4%	4%	4%	4%	4%	4%
Hotel	44	17	28	30	32	33	33	34
<i>% Growth</i>		-60%	61%	7%	5%	4%	2%	1%
<i>% of Total</i>	2%	1%	1%	1%	1%	1%	1%	1%
Other	84	58	77	82	86	90	92	92
<i>% Growth</i>		-31%	33%	7%	5%	4%	2%	1%
<i>% of Total</i>	4%	4%	3%	3%	3%	3%	2%	2%
Total Northeast Revenue	2,400	1,639	2,552	2,853	3,159	3,437	3,670	3,848
<i>% Growth</i>		-32%	56%	12%	11%	9%	7%	5%
<i>% of Total Revenue</i>	45%	46%	43%	43%	43%	43%	43%	42%

Revenue Build 2



Penn National Gaming, Inc.								
Revenue Build (\$USD Millions)	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
South								
Gaming	831	684	1,080	1,210	1,343	1,464	1,567	1,645
<i>% Growth</i>		-18%	58%	12%	11%	9%	7%	5%
<i>% of Total</i>	74%	81%	82%	82%	83%	83%	83%	84%
Food and Beverage	154	77	111	124	136	147	156	164
<i>% Growth</i>		-50%	44%	12%	10%	8%	6%	5%
<i>% of Total</i>	14%	9%	8%	8%	8%	8%	8%	8%
Hotel	98	64	93	100	105	109	111	112
<i>% Growth</i>		-35%	45%	7%	5%	4%	2%	1%
<i>% of Total</i>	9%	8%	7%	7%	6%	6%	6%	6%
Other	36	24	38	41	43	44	45	46
<i>% Growth</i>		-31%	55%	7%	5%	4%	2%	1%
<i>% of Total</i>	3%	3%	3%	3%	3%	3%	2%	2%
Total South Revenue	1,119	850	1,322	1,474	1,627	1,764	1,879	1,967
<i>% Growth</i>		-24%	56%	12%	10%	8%	6%	5%
<i>% of Total Revenue</i>	21%	24%	22%	22%	22%	22%	22%	22%
West								
Gaming	374	194	353	395	438	478	511	537
<i>% Growth</i>		-48%	82%	12%	11%	9%	7%	5%
<i>% of Total</i>	58%	64%	68%	68%	69%	70%	70%	71%
Food and Beverage	117	46	69	77	85	92	97	102
<i>% Growth</i>		-61%	50%	12%	10%	8%	6%	5%
<i>% of Total</i>	18%	15%	13%	13%	13%	13%	13%	13%
Hotel	126	47	80	86	90	94	95	96
<i>% Growth</i>		-63%	72%	7%	5%	4%	2%	1%
<i>% of Total</i>	20%	15%	15%	15%	14%	14%	13%	13%
Other	26	16	20	21	22	23	23	24
<i>% Growth</i>		-38%	23%	7%	5%	4%	2%	1%
<i>% of Total</i>	4%	5%	4%	4%	3%	3%	3%	3%
Total West Revenue	643	303	521	579	635	686	728	759
<i>% Growth</i>		-53%	72%	11%	10%	8%	6%	4%
<i>% of Total Revenue</i>	12%	8%	9%	9%	9%	9%	8%	8%

Revenue Build 3



Penn National Gaming, Inc.								
Revenue Build (\$USD Millions)	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Midwest								
Gaming	938	615	1,010	1,131	1,255	1,368	1,464	1,537
<i>% Growth</i>		-34%	64%	12%	11%	9%	7%	5%
<i>% of Total</i>	86%	90%	92%	92%	92%	92%	92%	93%
Food and Beverage	85	32	39	44	49	52	56	58
<i>% Growth</i>		-62%	23%	12%	10%	8%	6%	5%
<i>% of Total</i>	8%	5%	4%	4%	4%	4%	4%	4%
Hotel	43	19	30	32	33	35	35	36
<i>% Growth</i>		-57%	58%	7%	5%	4%	2%	1%
<i>% of Total</i>	4%	3%	3%	3%	2%	2%	2%	2%
Other	28	16	24	26	27	28	29	29
<i>% Growth</i>		-45%	55%	7%	5%	4%	2%	1%
<i>% of Total</i>	3%	2%	2%	2%	2%	2%	2%	2%
Total Midwest Revenue	1,095	681	1,103	1,232	1,364	1,483	1,583	1,660
<i>% Growth</i>		-38%	62%	12%	11%	9%	7%	5%
<i>% of Total Revenue</i>	21%	19%	19%	19%	19%	18%	18%	18%
Interactive								
Gaming	8	62	158	190	228	269	301	323
<i>% Growth</i>		700%	154%	20%	20%	18%	12%	7%
<i>% of Total</i>	20%	52%	37%	38%	39%	39%	39%	37%
Food and Beverage	-	-	-	-	-	-	-	-
<i>% Growth</i>		0%	0%	0%	0%	0%	0%	0%
<i>% of Total</i>	0%	0%	0%	0%	0%	0%	0%	0%
Hotel	-	-	-	-	-	-	-	-
<i>% Growth</i>		0%	0%	0%	0%	0%	0%	0%
<i>% of Total</i>	0%	0%	0%	0%	0%	0%	0%	0%
Other	31	59	275	316	363	417	480	552
<i>% Growth</i>		92%	368%	15%	15%	15%	15%	15%
<i>% of Total</i>	80%	48%	63%	62%	61%	61%	61%	63%
Total Interactive Revenue	38	121	433	506	591	687	782	875
<i>% Growth</i>		216%	257%	17%	17%	16%	14%	12%
<i>% of Total Revenue</i>	1%	3%	7%	8%	8%	9%	9%	10%

Networking Capital



Penn National Gaming								
Networking Capital	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Current Assets								
Accounts receivable, net	89	96	195	169	188	205	220	232
<i>A/R days</i>	<i>6</i>	<i>10</i>	<i>12</i>	<i>9</i>	<i>9</i>	<i>9</i>	<i>9</i>	<i>9</i>
Prepaid expenses and other current assets	117	135	165	193	214	234	251	265
<i>as a % of Revenue</i>	<i>2%</i>	<i>4%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>
Total current assets	205	231	360	362	402	439	471	497
Current liabilities								
Accounts payable	40	33	53	15	16	18	19	20
<i>A/P Days</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
Accrued Expenses and other current liabilities	631	575	799	922	1,024	1,118	1,199	1,264
<i>as a % of SG&A</i>	<i>53%</i>	<i>51%</i>	<i>59%</i>	<i>54%</i>	<i>54%</i>	<i>54%</i>	<i>54%</i>	<i>54%</i>
Total current liabilities	672	608	852	937	1,040	1,136	1,218	1,284
NWC	(466)	(377)	(492)	(574)	(638)	(697)	(747)	(788)
Change in NWC		89	(115)	(82)	(63)	(59)	(51)	(40)

DCF

Penn National Gaming								
Discounted Cash Flow (in USD Thousands)	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
EBIT	572	(410)	1,060	909	940	1,203	1,405	1,581
(1-Tax Rate)	79.00%	79.00%	79.00%	79.00%	79.00%	79.00%	79.00%	79.00%
Add: D&A	414	367	345	306	336	351	348	358
Less: CapEX	(191)	(137)	(244)	(255)	(289)	(319)	(338)	(358)
Less: Changes in NWC	0	89	(115)	(82)	(63)	(59)	(51)	(40)
FCFF	675	(183)	1,052	851	852	1,041	1,171	1,289
Discount Factor				0.5	1.5	2.5	3.5	4.5
PV of Cash Flow				811	736	815	831	830

WACC	10.28%
Terminal Growth Rate	2.0%
Terminal Multiple	9.00x

Gordon Growth Method	
Terminal Value	15,889
WACC	10.28%
Terminal Growth Rate	2.0%
PV of Terminal Value	10,232
Enterprise Value	14,255
Less: Debt	11,605
Add: Cash	6,469
Equity Value	9,119
Shares Outstanding	169
Price Per Share	\$ 53.96

Multiples Method	
Terminal EBITDA	1,939
23' EV/EBITDA	9.00x
Terminal Value	17,447
PV of TV	11,235
Enterprise Value	15,258
Less: Debt	11,605
Add: Cash	6,469
Equity Value	10,122
Shares Outstanding	169
Price Per Share	\$ 59.89

Comps



Comparable Companies Analysis (\$USD in Millions)												
Company	Ticker	Share Price	Shares Outstandi	Market Capitiliza	Debt	Cash	Enterprise Value	EPS	Revenue	LTM EBIT	LTM EBITDA	
Penn National Gaming, Inc.	PENN	\$38.53	169	6,512		11,605	1,864	16,253	\$2.92	5,905	1,150	1,534
Caesars Entertainment Inc.	CZR	\$65.85	241	15,870		14,567	1,070	29,367	-\$3.11	9,477	1,721	2,847
Las Vegas Sands Corp.	LVS	\$36.56	214	7,824		14,973	1,854	20,943	-\$1.29	4,232	(654)	387
Red Rock Resorts Inc.	RRR	\$45.02	116	5,222		2,878	275	7,825	\$4.78	1,618	567	725
MGM Resorts International	MGM	\$41.04	470	19,289		24,693	4,703	39,278	-\$0.21	9,680	604	2,625
Boyd Gaming Corp	BYD	\$58.21	114	6,636		3,933	345	10,223	\$5.14	3,370	958	1,226
Churchill Downs Inc.	CHDN	\$202.04	39	7,880		2,006	291	9,594	\$6.78	1,597	322	425
DraftKings Inc.	DKNG	\$13.88	404	5,608		1,319	2,153	4,774	-\$3.62	1,296	(1,476)	(1,339)
Average												
Min												
Q1												
Median												
Q3												
Max												

Comps 2

Comparable Companies Analysis (\$USD in Millions)								
Company	22' EPS	22' Revenue	22' EBIT	22' EBITDA	23' EPS	23' Revenue	23' EBIT	23' EBITDA
Penn National Gaming, Inc.	\$2.00	6,617	996	1,921	\$2.48	7,347	1,098	2,032
Caesars Entertainment Inc.	-\$2.13	10,708	1,651	2,883	\$2.55	11,751	2,625	3,890
Las Vegas Sands Corp.	\$0.20	6,241	707	1,679	\$2.20	10,009	2,745	3,921
Red Rock Resorts Inc.	\$2.25	1,642	552	701	\$2.29	1,692	565	706
MGM Resorts International	\$0.43	12,413	822	3,161	\$1.17	13,725	1,565	3,696
Boyd Gaming Corp	\$5.15	3,449	901	1,312	\$5.75	3,544	941	1,340
Churchill Downs Inc.	\$8.75	1,722	423	727	\$11.93	2,119	629	942
DraftKings Inc.	-\$3.78	1,971	(1,662)	(922)	-\$2.31	2,689	(1,085)	(439)

Comps 3



Consumer Discretionary Sector | NASDAQ: PENN

	23' EBITDA	P/E	EV/Revenue	EV/EBIT	EV/EBITDA	22' EV/Revenue	22' P/E	EV/22' EBIT	EV/22' EBITDA	23' P/E	23' EV/Revenue	EV/23' EBIT	23' EV/EBITDA
Penn National Gaming, Inc.	2,032	13x	3x	14x	11x	2x	19x	16x	8x	16x	2x	15x	8x
Caesars Entertainment Inc.	3,890	-21x	3x	17x	10x	3x	-31x	18x	10x	26x	2x	11x	8x
Las Vegas Sands Corp.	3,921	-28x	5x	-32x	54x	3x	183x	30x	12x	17x	2x	8x	5x
Red Rock Resorts Inc.	706	9x	5x	14x	11x	5x	20x	14x	11x	20x	5x	14x	11x
MGM Resorts International	3,696	-195x	4x	65x	15x	3x	95x	48x	12x	35x	3x	25x	11x
Boyd Gaming Corp	1,340	11x	3x	11x	8x	3x	11x	11x	8x	10x	3x	11x	8x
Churchill Downs Inc.	942	30x	6x	30x	23x	6x	23x	23x	13x	17x	5x	15x	10x
DraftKings Inc.	(439)	-4x	4x	-3x	-4x	2x	-4x	-3x	-5x	-6x	2x	-4x	-11x
		-32x	4x	17x	20x	4x	50x	24x	11x	21x	3x	14x	9x
		-195x	3x	-32x	8x	3x	-31x	11x	8x	10x	2x	8x	5x
		-27x	3x	11x	10x	3x	13x	15x	10x	17x	3x	11x	8x
		-6x	4x	15x	13x	3x	22x	20x	12x	18x	3x	13x	9x
		11x	5x	27x	21x	4x	77x	28x	12x	24x	4x	15x	11x
		30x	6x	65x	54x	6x	183x	48x	13x	35x	5x	25x	11x
Enterprise Value													
Q1			19,713.67	13,176.24	16,009.66	19,942.48		15,019.83	20,033.01		19,027.93	12,022.58	15,379.21
Median			26,260.74	17,753.28	19,759.46	21,570.92		20,165.40	22,653.80		21,111.15	13,753.01	18,094.48
Q3			29,056.78	30,639.39	31,721.95	29,201.95		27,773.93	23,935.56		30,249.30	16,373.40	21,367.31
Share Price													
Q1		(77.52)	86.26	47.57	64.34	87.61	26.96	58.48	88.15	41.41	82.20	40.75	60.61
Median		(17.16)	125.00	74.66	86.53	97.25	43.10	88.93	103.66	45.38	94.53	50.99	76.68
Q3		31.68	141.54	150.91	157.31	142.40	154.71	133.95	111.24	60.22	148.60	66.49	96.04

Valuation Weights

Valuation Weights		
	TGT Price	Weight
DCF GG	53.96	20.0%
DCF MM	59.89	20.0%
2022 EV/EBITDA	103.66	15.0%
2023 P/E	45.38	15.0%
2023 EV/EBIT	50.99	15.0%
2023 EV/EBITDA	76.68	15.0%
Implied Share Price		\$ 64.28
Implied Upside		66.8%

WACC Calculations

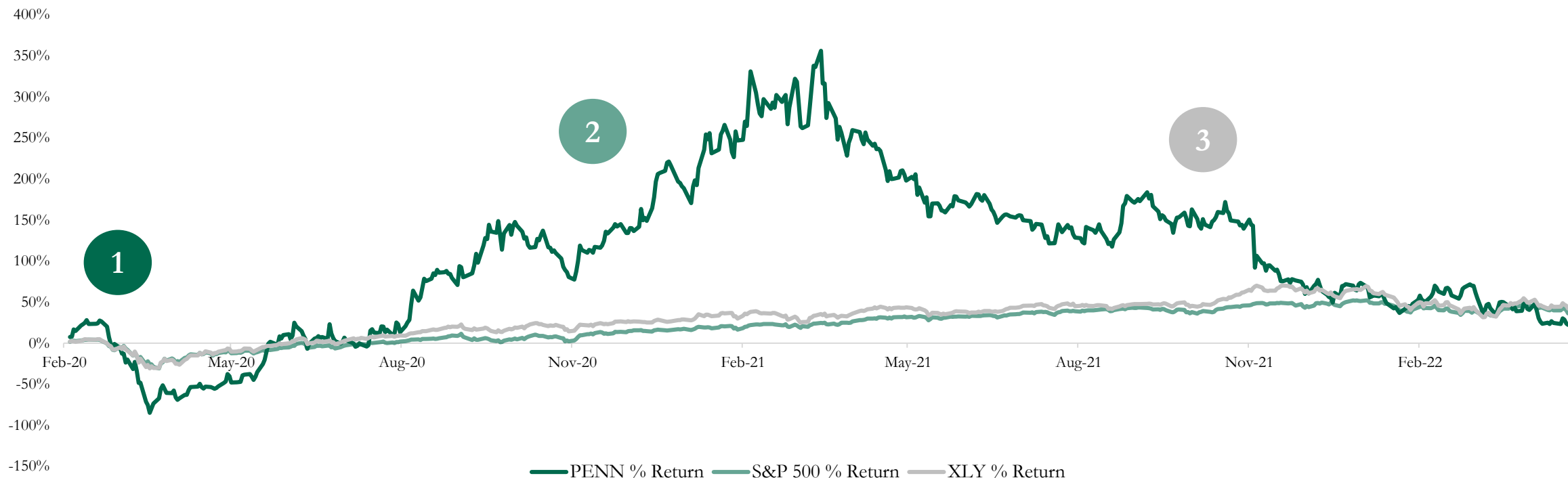
Penn National Gaming, Inc. WACC Calculations	
Beta	1.9
Expected Market Return	9%
Risk-Free Rate	2.85%
Risk Premium	6%
Cost of Equity	14.61%
Credit Spread	4.62%
Pre-Tax Cost of Debt	7.47%
Tax Rate	21.00%
Cost of Debt	5.90%
Shares Outstanding	169,000,000
Share Price	\$38.43
Market Capitalization	6,494,670,000
Debt Outstanding	11,605,100,000
Total Capitalization	18,099,770,000
Weight of Equity	35.9%
Weight of Debt	64.12%
Economic Premium	1.25%
WACC	10.28%

Sensitivity Tables

		Terminal Growth Rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	53.96					
	8.28%	68.53	74.38	81.16	89.11	98.57
	9.28%	56.38	60.72	65.66	71.32	77.88
	10.28%	46.86	50.18	53.91	58.11	62.89
	11.28%	39.21	41.81	44.71	47.93	51.53
	12.28%	32.92	35.01	37.30	39.83	42.63

		EV/EBITDA				
		7.00x	8.00x	13.00x	10.00x	11.00x
WACC	59.89					
	8.28%	66.74	66.74	66.74	66.74	66.74
	9.28%	70.42	70.42	70.42	70.42	70.42
	10.28%	59.88	59.88	59.88	59.88	59.88
	11.28%	56.70	56.70	56.70	56.70	56.70
	12.28%	50.77	50.77	50.77	50.77	50.77

Annotated Stock Chart



1

- Immediate 27% gain in January 2020 following the Barstool Sports acquisition prior to the pandemic in March 2020
- **Stable revenue** during the pandemic
- Strong EPS **recovery** from pandemic low

2

- Consistently positive earnings surprises as Barstool Sports gained popularity and more states legalize online gambling
- Q2 2020: **19% EPS Adj+ surprise**
- Q3 2020: **77% EPS Adj+ surprise**

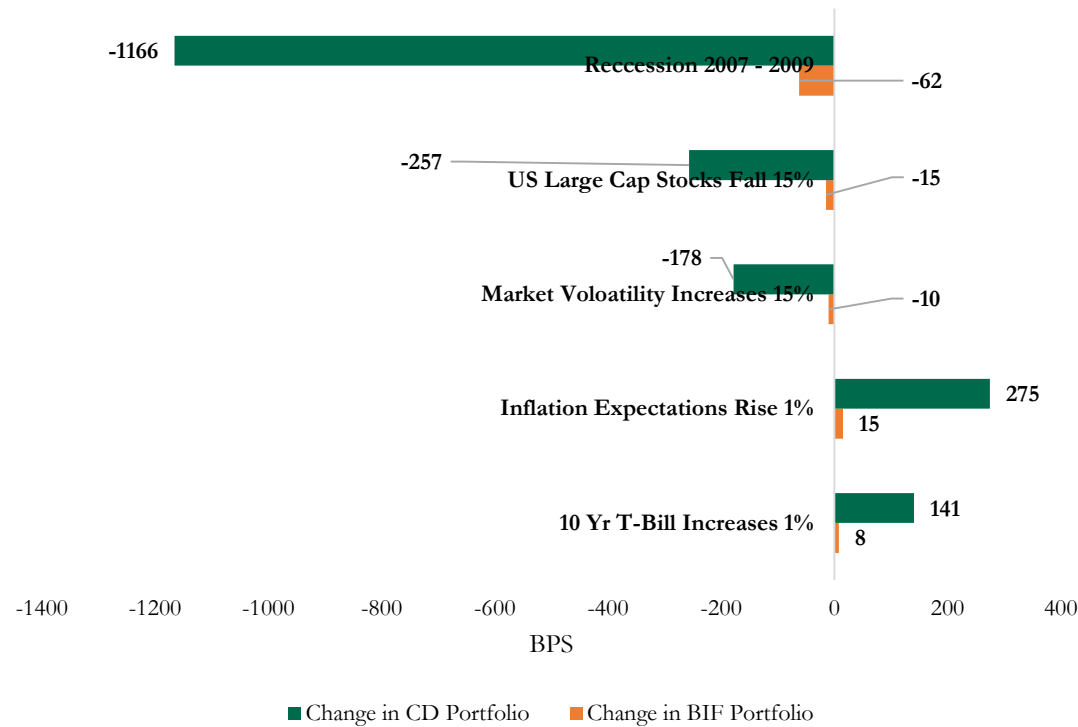
3

- Acquisition of theScore in October 2021 while competitors gain short-term market share with aggressive marketing
- Positive revenue surprises **all of 2021**
- Q1 2022: **.44 EPS Adj+ (62.8% YoY)**

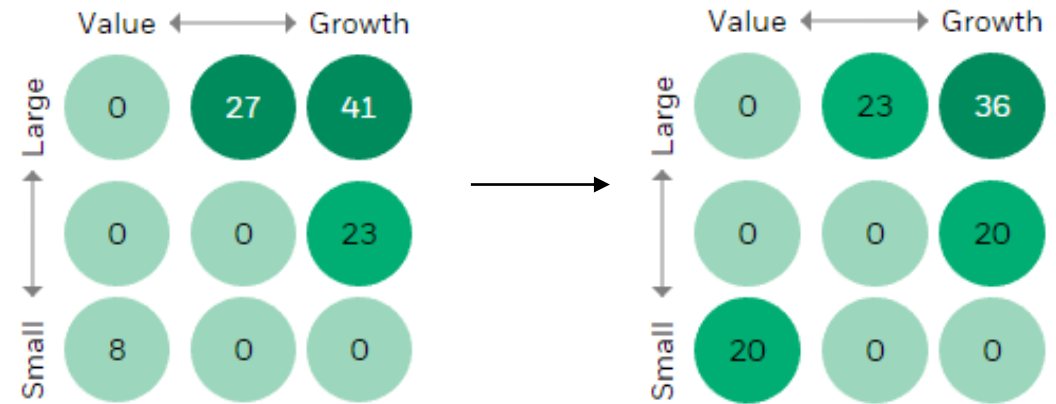
Positive revenue surprise 6/8 previous quarters with **outlier quarters** resulting from Covid

Aladdin Risk MGMT

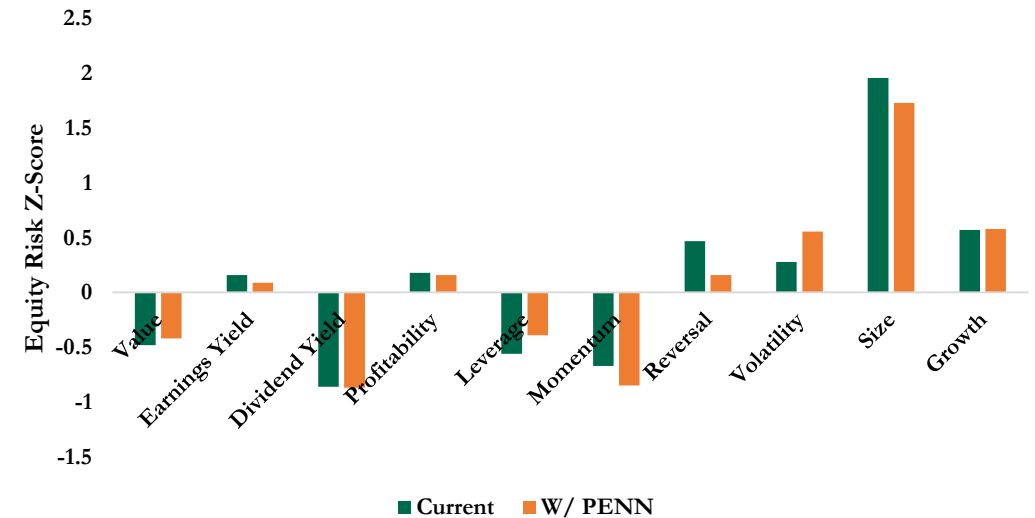
Scenario Analysis



Discretionary Portfolio Characteristics



Factor Exposure



Environmental

- LED lighting, EV charging, water conserving toilets, and AER-DEC integrated sinks installed at newest casinos in York and Morgantown
- Reduced annual kilowatt-hour production by 10% in 2021, which is equivalent to 42,000 tons of greenhouse gas emissions
- Oil consumption reduced by 50% or 45,000 gallons in 2021. 65% of oil is recycled

2021 Waste Report

707 Tons Recycled	1.96 Million Gallons of Water Saved
3,348 Mature Trees Saved	7 Tons of Plastic Saved Using Bulk Dispensers

Governance Features

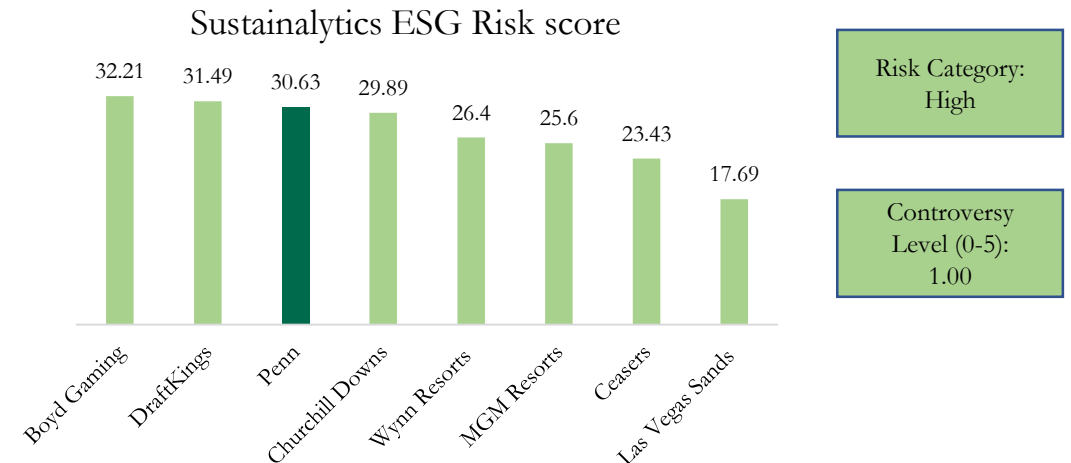
- Common Stock with equal voting rights
- Independent non-executive board
- Systematic risk oversight
- Independent committees
- Robust stock ownership requirements
- Anti-hedging, anti-shot sales, and anti pledging policies

Penn Governance is designed to promote value, transparency, and accountability to shareholders

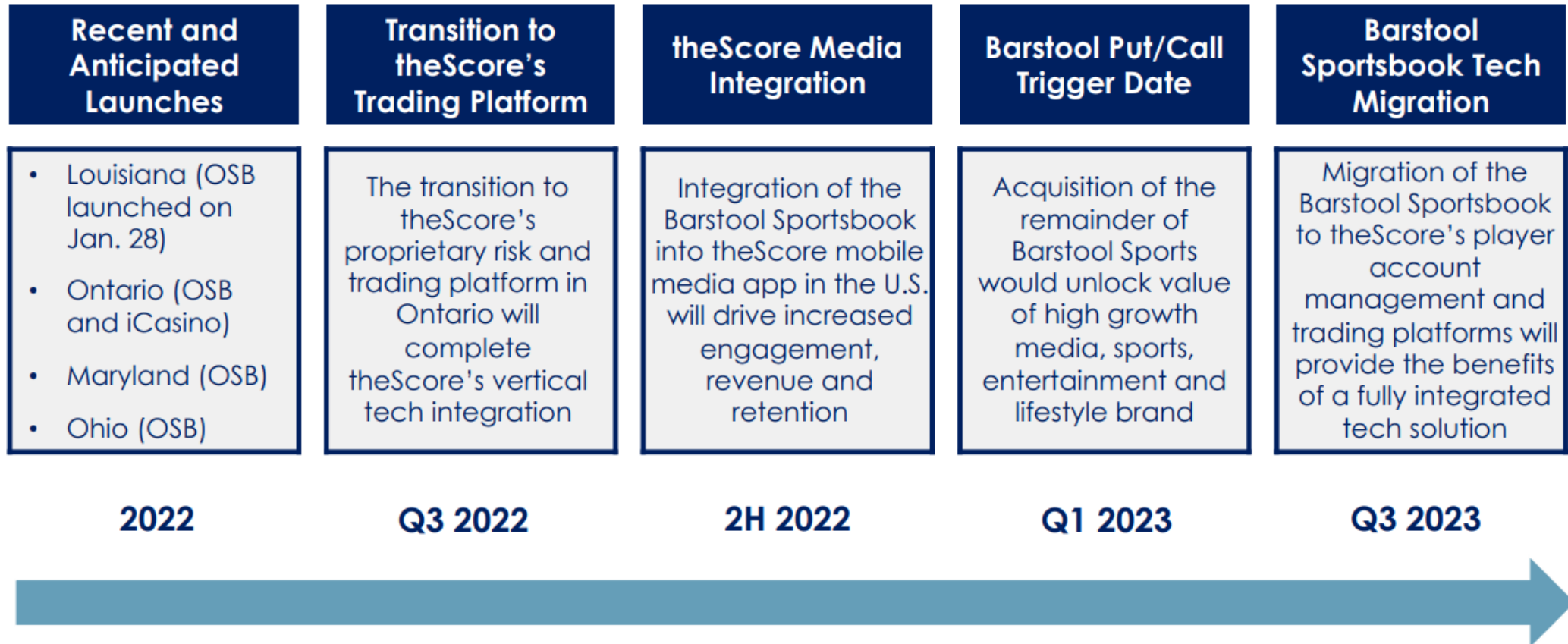
Social

- 1 Recently dedicated \$4 million towards new STEM scholarships and internship programs through 33 Historically Black Colleges and Universities
- 2 100,000 customers enrolled in the “myheros” loyalty program for veterans, active duty, and first responders
- 3 Raised \$200,000 to support the Fisher House Foundation and Semper Fi & America’s Fund veterans organizations through the “Viva La Troops” promotion

ESG Risk Rating



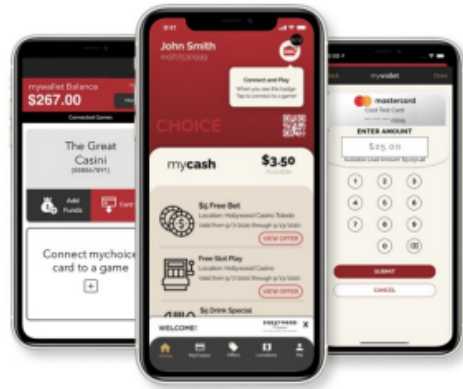
Interactive Road Map



3C Implementation

Customer Benefits

- **Skip the Lines - Frictionless**
 - Perform transactions in the app, without waiting in line
- **One Stop Shopping**
 - App contains players card, bankroll, comps, free slot play, free bet, cashback and marketing offers
- **More Time Being Entertained**



- ✓ Single wallet
- ✓ Intuitive and easy to use
- ✓ Highly secure
- ✓ Flexible funding sources
- ✓ Responsible Gaming features

Penn Benefits

- **Improved Efficiencies**
- **Real Time Engagement**
 - Reward customers in the moment
 - Improved marketing
- **Information and Analytics**
 - Advanced analytics and data science
 - Customized experience

Best-in-Class Sports Media Brand ⁽¹⁾

	North America	Canada
1		
2		
3		
4		
5		

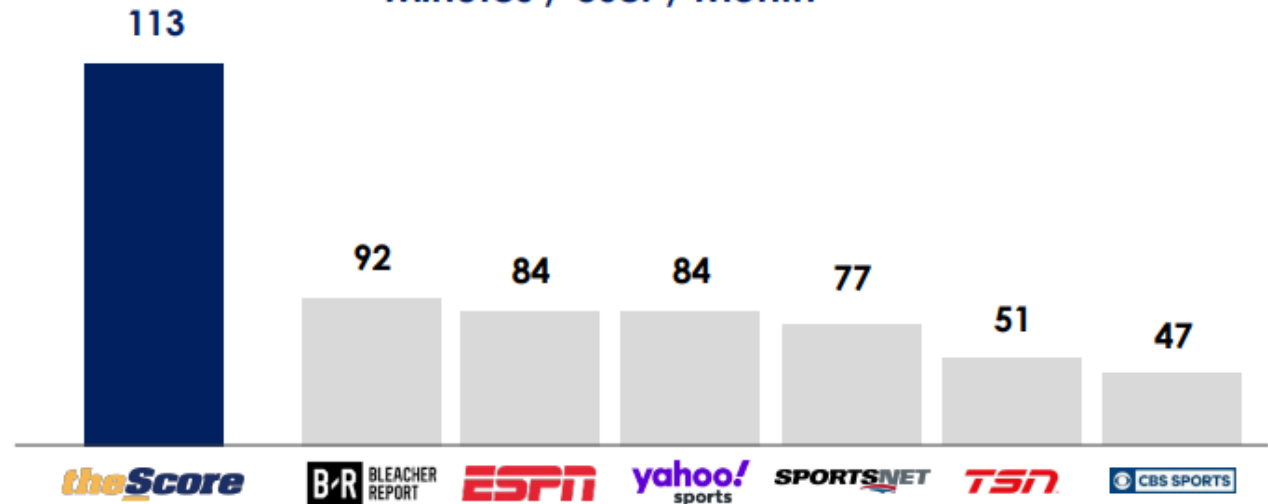
Catering to an Engaged and Active User Base

 **359%** ⁽²⁾
YoY Total Minutes Spent

 **25%** ⁽²⁾
YoY Monthly Unique Visitors

 **21%** ⁽²⁾
YoY Total Reach

Minutes / User / Month ⁽³⁾



Media Revenue Growth

Record media revenue driven by advertisers across North America eager to reach our broad and active audience:

+32%

Q4 Y/Y Growth

+76%

2021 Y/Y Growth

User Growth and Engagement

Strong media app performance as engagement continues to grow across our large and loyal user base

- **1.8 billion** user sessions, **up 30%** vs. 2020
- Users opened the app an average of **143 times** each month, **up 22%** year-over-year
- **4.2 million** average monthly active users on the media app, **up 7%** vs. 2020

Total PENN Audience



my**choice**[®]

25m
Total Members

+7%
Year-over-Year

144m
Total Followers
Across Social Media*

+25%
Year-over-Year



theScore

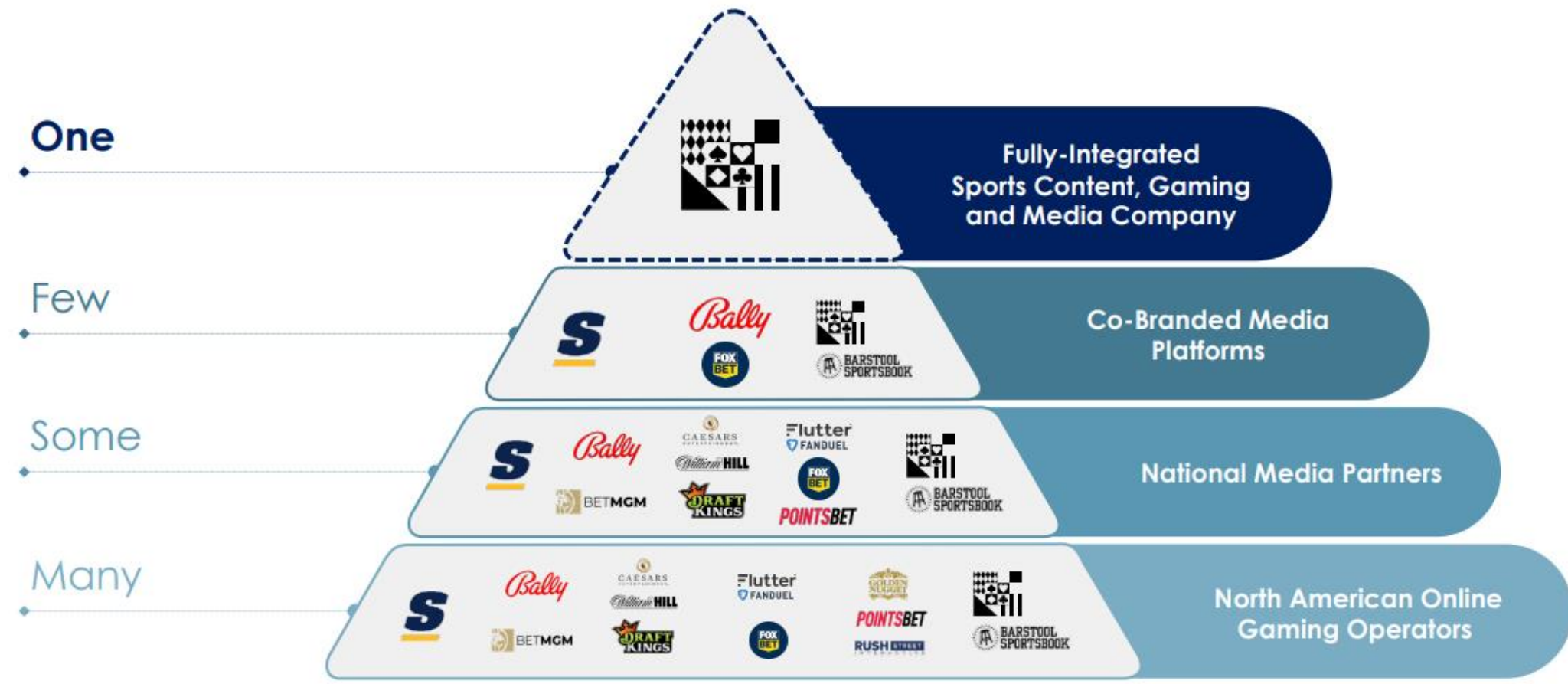
4.2m
Monthly Average Users

+7%
Year-over-Year

* Total followers across all accounts and platforms as of December 15, 2021, including Instagram (64.0m), Twitter (33.2m), TikTok (31.9m), Facebook (9.2m) and Snapchat(6.7m).

Competitive Advantage

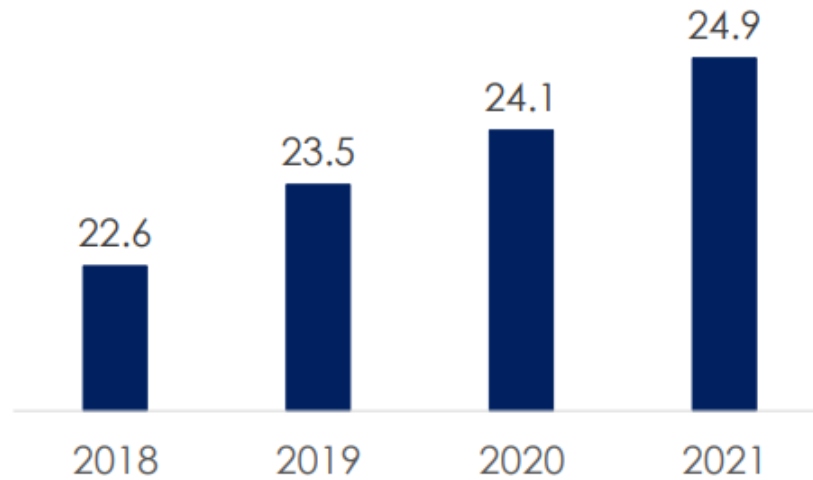
Consumer Discretionary Sector | NASDAQ: PENN



MyChoice Database

mychoice Database Members

(\$ in millions)



Core Business Change in Theo By Age¹

21 to 34
+57%

35 to 44
+49%

45 to 54
+26%

55 to 64
+8%

65 and older
-17%

Regional Sportsbook Rebranding



GGR by Game Type



FEB 2021 GGR PER GAMING VERTICAL, CHANGE OVER FEB 2020 AND 2021*

	<i>Total GGR</i>	<i>Slot GGR</i>	<i>Table Game GGR</i>	<i>Sports Betting GGR</i>	<i>iGaming GGR</i>
	\$4.42B	\$2.64B	\$745.6M	\$360.2M	\$373.4M
Feb 2020	+17.0% ▲	+6.4% ▲	-5.8% ▼	+321.0% ▲	+420.0% ▲
Feb 2021	+37.0% ▲	+33.6% ▲	+42.2% ▲	+55.6% ▲	+46.1% ▲

YTD GGR PER GAMING VERTICAL, CHANGE OVER JAN-FEB 2020 AND 2020*

	<i>Total GGR</i>	<i>Slot GGR</i>	<i>Table Game GGR</i>	<i>Sports Betting GGR</i>	<i>iGaming GGR</i>
	\$8.96B	\$5.12B	\$1.48B	\$992.7M	\$772.9M
Jan-Feb 2020	+19.6% ▲	+4.7% ▲	-4.6% ▼	+342.1% ▲	+447.3% ▲
Jan-Feb 2021	+34.8% ▲	+26.7% ▲	+45.2% ▲	+62.8% ▲	+63.3% ▲

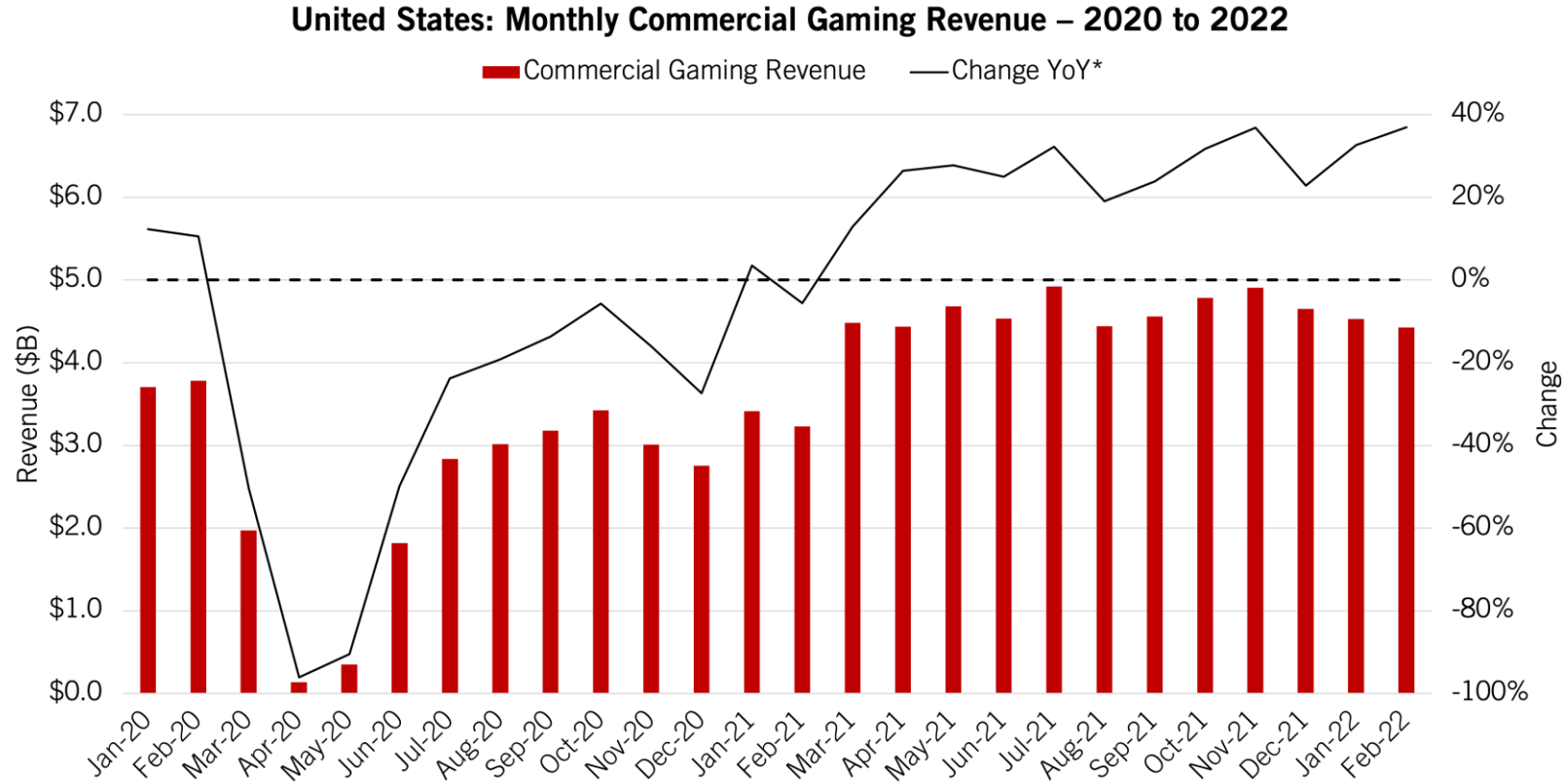
*Michigan and Louisiana are not included in the separate slot and table game revenue numbers. Illinois slot and table game data are omitted for the year-to-date comparison with 2020 as revenue for these verticals was not reported separately during the entirety of that period. Arizona sports betting revenue for February is omitted as they had not been reported at the time of publication. February 2022 had 26 commercial sports betting markets compared to 20 in 2021 and 13 in 2020. February 2022 had 6 iGaming markets compared to 5 in 2021 and 3 in 2020 (excl. Nevada online poker).

Source: American Gaming Association

Monthly Commercial Gaming Revenue



Consumer Discretionary Sector | NASDAQ: PENN



*2021 monthly revenue compared to 2019

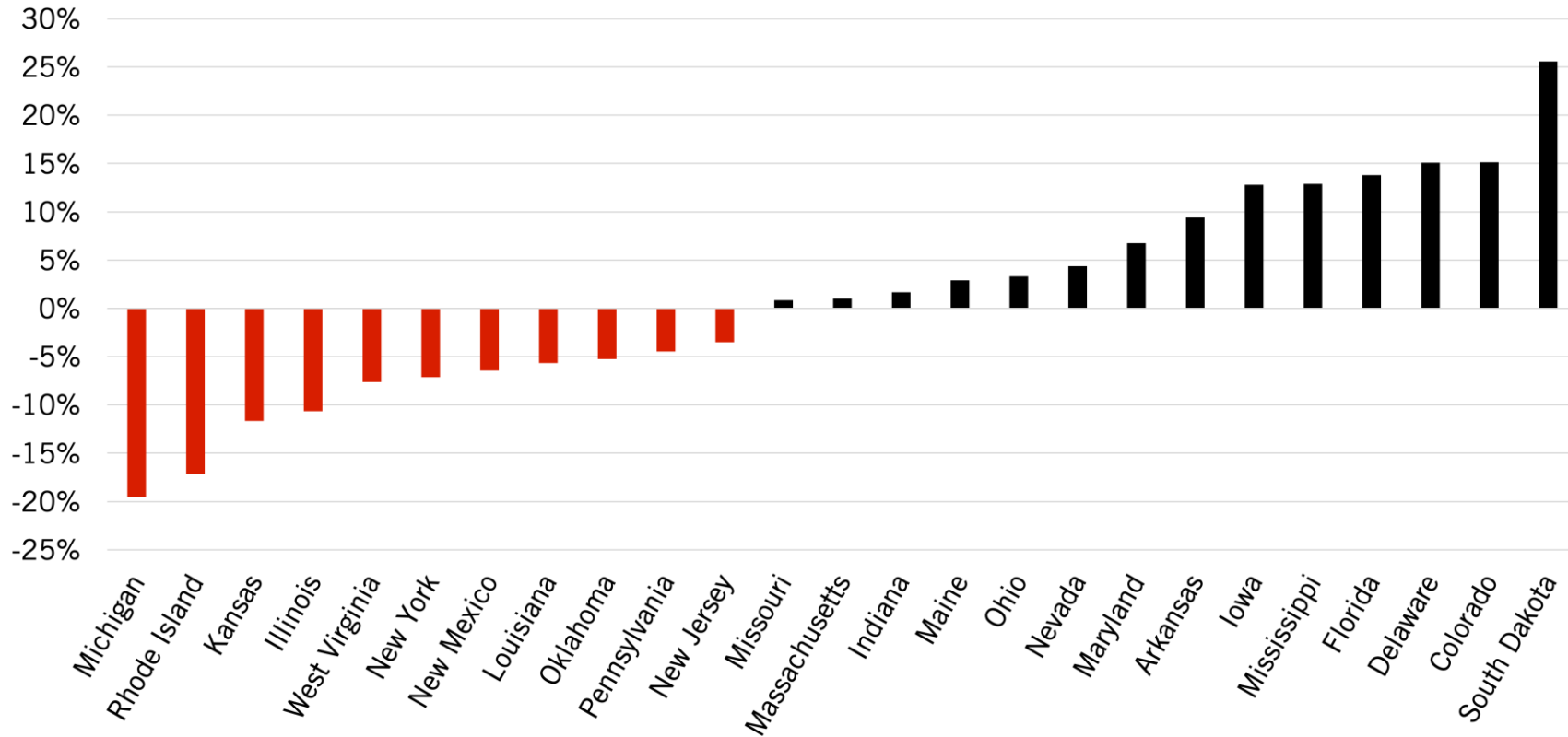
Source: American Gaming Association

Casino GGR 2 Year Change by State



Consumer Discretionary Sector | NASDAQ: PENN

United States: Two-Year Traditional Casino GGR by State – YTD 2022 vs 2020



Source: American Gaming Association

Handle by State

STATE	FEB 2022 (\$M)	CHANGE OVER FEB 2020	YTD (\$M)	CHANGE OVER JAN-FEB 2020
Arizona ^{15#}	N/A	-	N/A	-
Arkansas ¹⁷	\$45.9	4.8%	\$90.5	10.4%
Colorado ¹¹	\$96.2	49.4%	\$207.5	55.9%
Connecticut ¹¹⁵	\$26.6		\$60.3	
Delaware ¹¹¹	\$39.4	17.8%	\$81.4	17.3%
District of Columbia ¹⁶	\$0.7	-	\$2.7	-
Florida [*]	\$58.5	12.3%	\$116.1	13.8%
Illinois ^{1#}	\$129.2	26.3%	\$283.2	39.5%
Indiana ¹¹	\$223.7	8.5%	\$443.1	8.7%
Iowa ¹¹	\$150.6	16.2%	\$295.5	20.2%
Kansas [*]	\$32.6	-11.3%	\$62.5	-11.7%
Louisiana ¹¹	\$214.3	0.9%	\$398.9	-2.3%
Maine [*]	\$12.7	7.8%	\$23.6	2.9%
Maryland ¹¹	\$163.9	8.4%	\$322.1	8.5%
Massachusetts [*]	\$85.6	-0.5%	\$168.0	1.0%
Michigan ¹¹²	\$227.8	87.1%	\$484.6	100.4%
Mississippi ¹¹	\$206.8	17.8%	\$411.1	15.3%
Missouri [*]	\$145.8	-2.8%	\$291.2	0.8%
Montana ¹⁵	\$0.7	-	\$1.4	-
Nevada ¹¹¹	\$1,113.1	6.8%	\$2,191.9	5.3%
New Hampshire ¹	\$1.0	-25.0%	\$9.0	201.3%
New Jersey ¹¹²	\$373.3	29.9%	\$755.0	28.4%
New Mexico [*]	\$20.3	-11.6%	\$38.4	-6.4%
New York ¹¹	\$302.7	30.5%	\$631.6	37.3%
Ohio [*]	\$178.8	4.3%	\$350.1	3.3%
Oklahoma [*]	\$11.2	-8.2%	\$22.2	-5.2%
Oregon ¹	\$3.3	125.7%	\$5.7	76.1%
Pennsylvania ¹¹²	\$393.6	27.8%	\$802.0	30.1%
Rhode Island ¹¹	\$49.8	-11.2%	\$95.3	-13.3%
South Dakota ¹¹	\$10.6	30.5%	\$21.2	26.5%
Tennessee ¹⁵	\$20.9	-	\$57.2	-
Virginia ¹⁵	\$27.5	-	\$66.5	-
West Virginia ¹¹¹⁴	\$56.7	-4.7%	\$122.2	11.3%
Wyoming ¹⁵	\$0.7	-	\$1.8	-
UNITED STATES	\$4,424.8	17.0%	\$8,955.7	19.6%

¹States with legal and operational casino slot and/or table games in February 2022.

¹¹States with legal and operational sports betting in February 2022.

¹¹¹States with legal and operational raffles in February 2022.

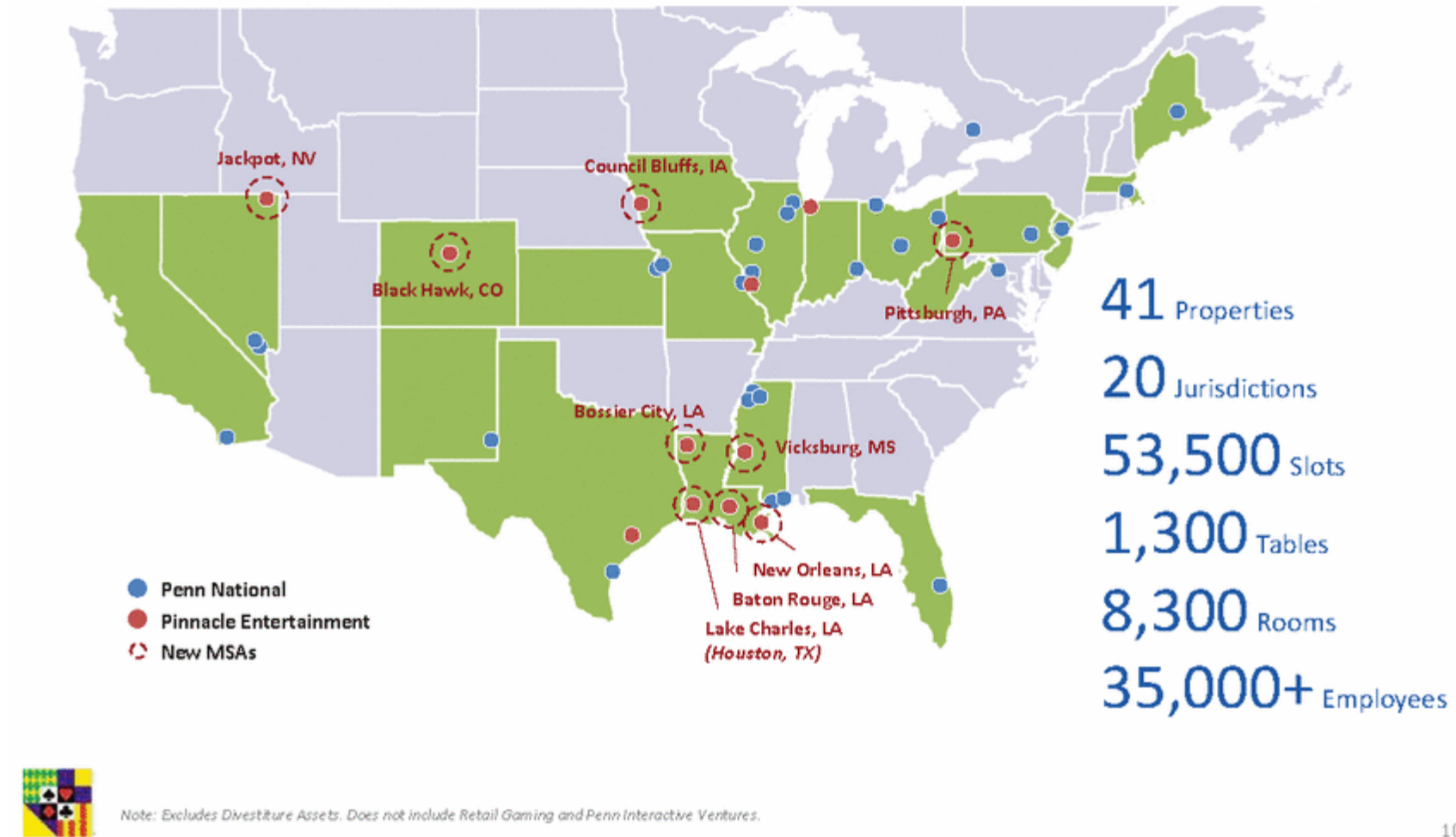
¹¹²New commercial casino gaming market within the last 24 months. No year-over-year comparison available.

¹¹⁵West Virginia data reflects four weeks reporting ending 4/26/2022.

¹⁶February sports betting revenues for Arizona had not been reported at the time of publication.

Source: American Gaming Association

Map of PENN Locations

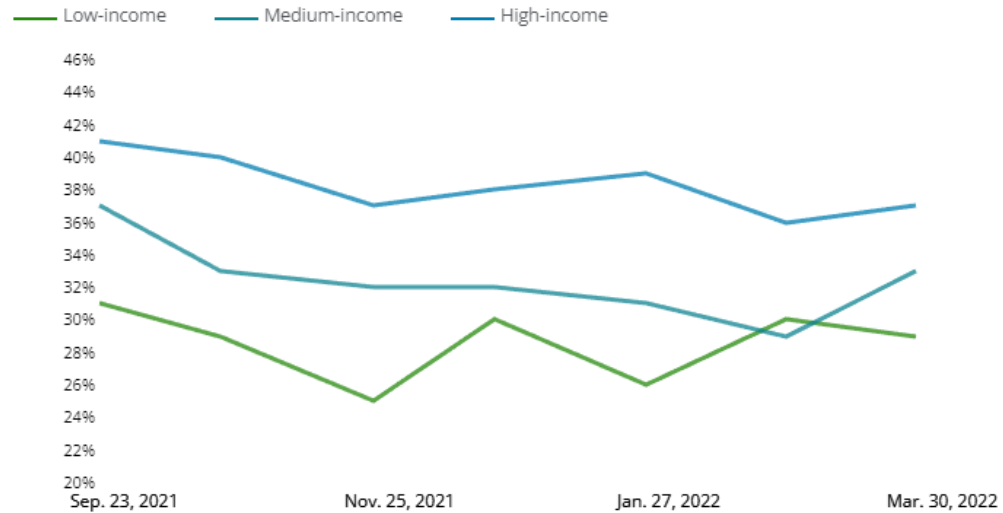


Recession & Discretionary Spend Outlook



Discretionary spending intentions hold steady despite financial concerns

Total monthly budget consumers plan to spend on discretionary items (%)



Consumer spending, index, 2019 = 100

Durables Nondurables Services



Source: Deloitte analysis.

Goldman Sachs sees the probability of a recession in the **next 24 months at 38%**