



VICI Properties (VICI)

Fall 2023

Cooper Marx, Sector Head

Luke Roberts, Senior Analyst II

Demi Taiwo, Analyst

VICITM

I. Investment Overview

Buy VICI with available allocation (~0.76%)

1

Resilient Lease Terms

- VICI's average lease term is **~42 years** and they boast a **100% occupancy rate**
- 96% of leases have **long-term escalation tied with CPI**, and 47% have **completely uncapped** CPI-linked escalation

2

Efficient CAPEX and Operations

- Due to their long-term leases, they can collaborate with tenants to **share CAPEX spend** for mutually beneficial improvements
- They own high quality assets for tenants locked in **triple net leases**, and enjoy relative stability in owning casino assets **limited in location and number**

3

Unique Acquisition Potential

- VICI's low WACC compared to competitors allows them to **raise debt and attract investors** for favorable acquisitions during their extended buyer market
- A large amount of debt coming due in the hotel & resort industry will allow them to **acquire immediately accretive properties** at favorable cap rates

4

Active Diversification & Vegas Rebound

- VICI has recently made their first international purchase in Canada, and is **actively searching for international opportunities**
- Las Vegas foot traffic has **almost completely rebounded** to its pre-pandemic high, and is expected to benefit from more sports teams, concert venues, formula 1 races, and large conferences

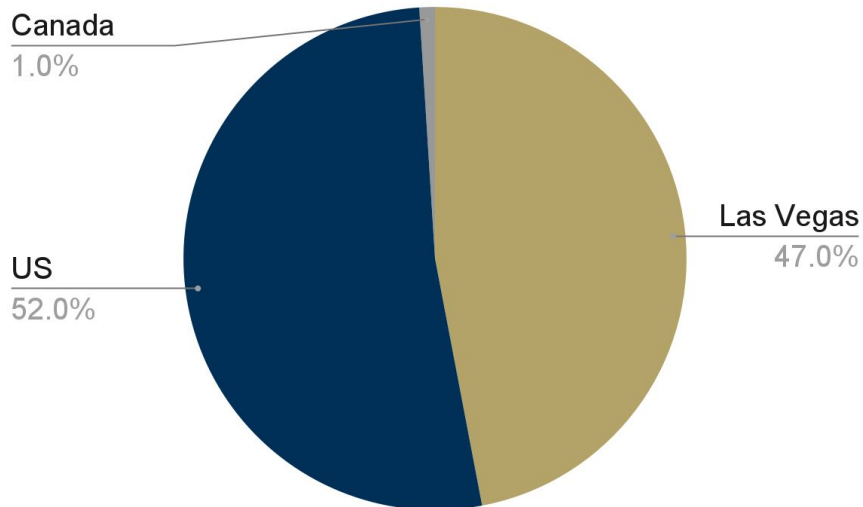
Business Description

- VICI Properties Inc. is an S&P 500® experiential real estate investment trust that owns one of the largest portfolios of market-leading **gaming, hospitality and entertainment destinations**, including **Caesars Palace Las Vegas, MGM Grand and the Venetian Resort Las Vegas**
- On top of hotels, casinos, and experience properties—they own four championship golf courses.

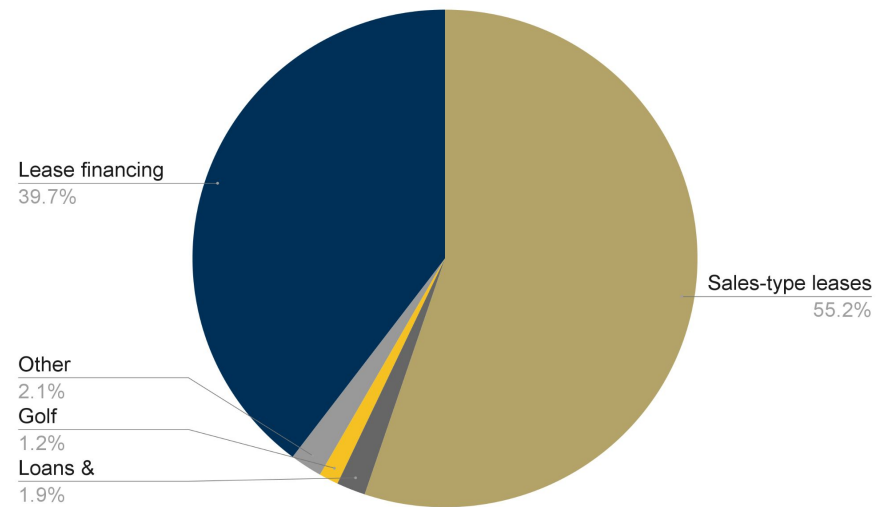
Company Specific

GICS Sub-Industry	Gaming
Market Cap	\$27.879B
Revenue	\$1.46B
Current Price	\$27.49
52-Week Range	\$27.27 /\$35.07
Beta	0.99
Dividend Yield	6.09%
Credit Rating	Ba1/BBB-

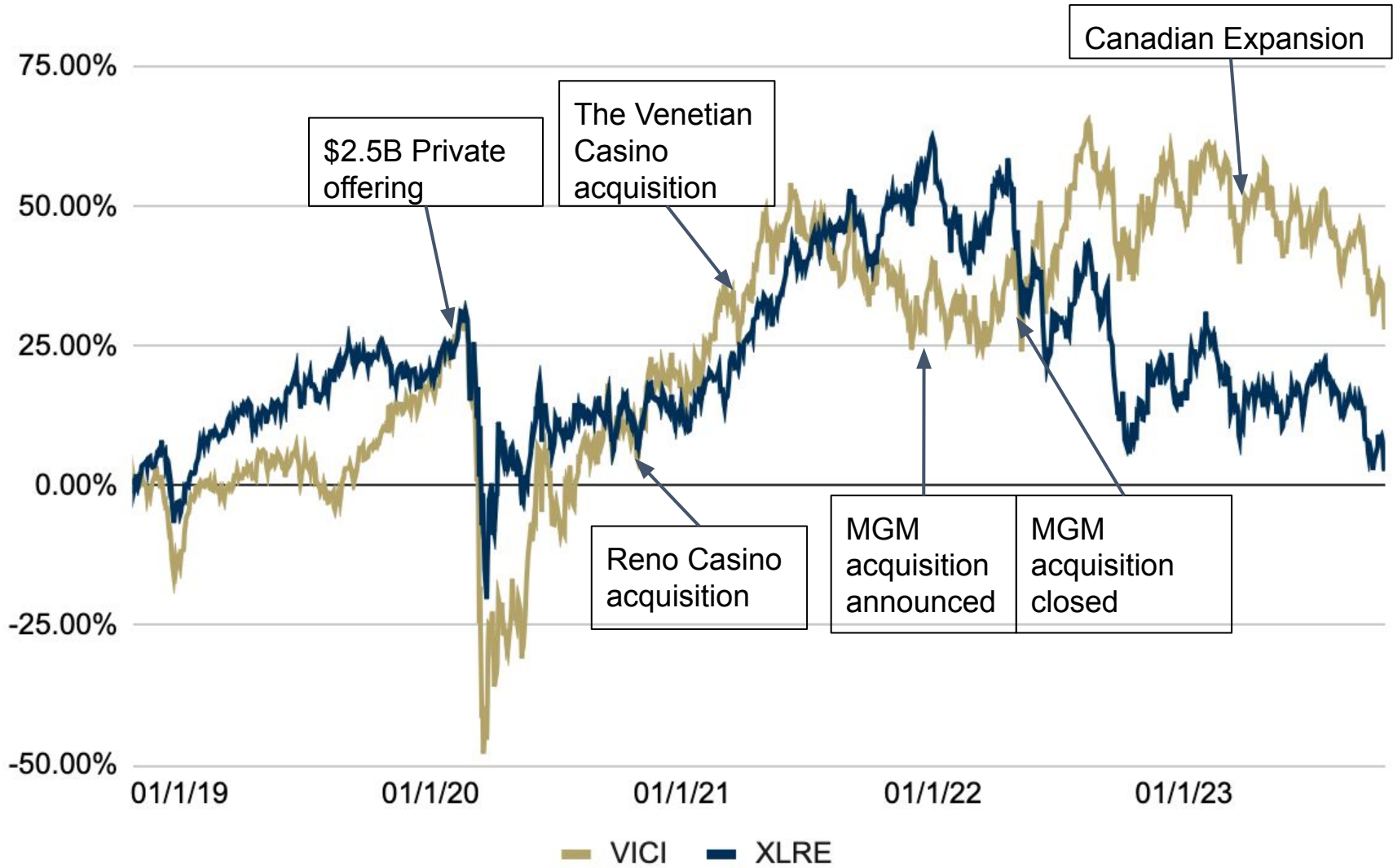
Revenue by Location



Revenue by Segment



5-Year Stock Performance



Tenure and Track Record

- **CEO - Edward Pitoniak:** Previously Vice Chairman of Real Term, Independent director at Ritchie Brothers, CEO and Director of bclMC Hospitality Group
- **President and COO - John Payne:** 25 years of experience in gaming and hospitality business
 - Previously CEO of Caesars Entertainment and president of partnership development
- **CFO - David Kieske:** 20 years experience in real estate. Previously Managing Director at Wells Fargo Securities/Eastdil Secured

Activist Investors

- **VICI Activist Investor** - in 2019, before the pandemic, some investors wanted **VICI and GLPI to merge** for further growth and network effects
 - Talks have not resurfaced since then but it is still a possibility much later
- **Additional Insight** - activist investor (Land & Buildings) at Six Flags Entertainment are demanding that they carry out a **sale-leaseback with VICI** to better monetize their parks

Compensation

- **Institutional Ownership** - BlackRock has grown from position from 56 million shares in middle 2022 to **nearly 100 million shares** currently
- **Insider Buying/Selling** - no selling activity since **February 2023 at ~\$34** and no meaningful or large scale insider selling since public offering
 - Insider ownership has increased by **1.61% in just the past 6 months**

II. Business Segments

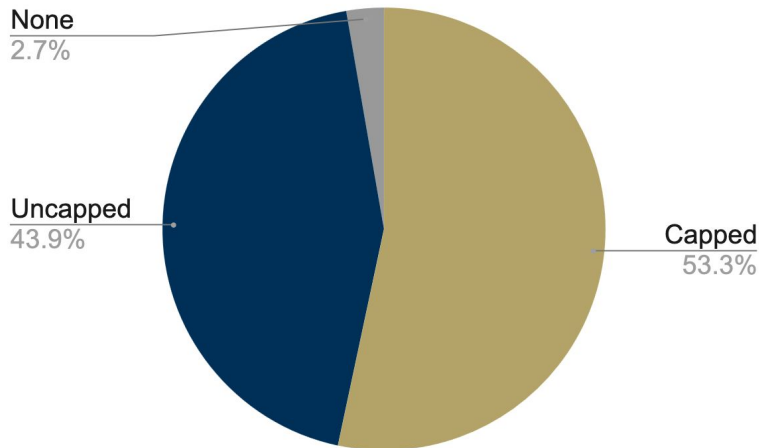
Existing Lease Terms

- **100% Triple Net leases** which protects VICI from increasing maintenance costs by putting the obligation for many ongoing expenses on tenants
- **~42 year** average lease term and **100% occupancy** rate due to insurmountable switching costs for tenants as the gambling licenses are tied to the properties
- All of the leases are guaranteed by the tenants' parent companies, where rent due to VICI is a drop in the bucket compared to the other operating expenses of these organizations

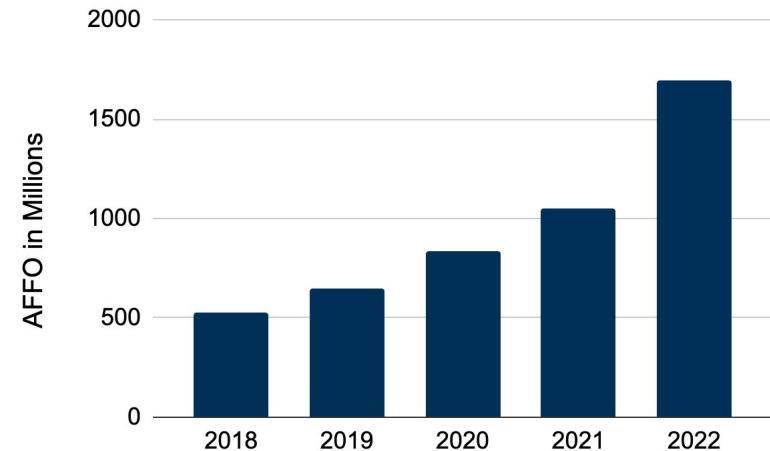
Stable Cash Flow

- **3.6x interest coverage ratio** which allows for VICI to handily cover any current interest expense while funding future acquisitions and dividend payments
- Even throughout the Covid Pandemic, **100% of rents was collected** and **100% occupancy was maintained**
- Properties return very high rents per property, especially when comparing it with other Net REITs, with VICI having average **\$54 Million** in average rent

Revenue by CPI Rent Escalator



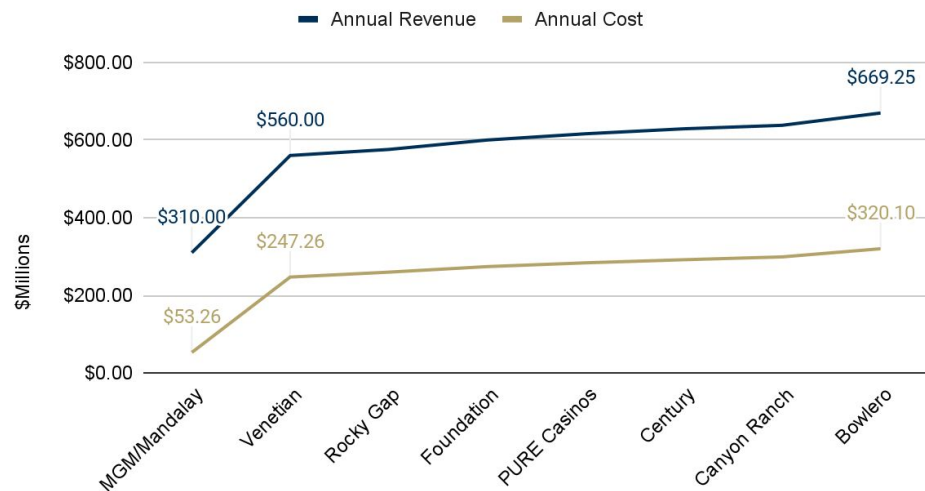
AFFO Growth



Acquisition Strategy

- VICI is undergoing considerable growth through acquisitions of **immediately accretive assets** that are in **financing distress**
 - VICI has been utilizing **sales leasebacks** of high quality assets and consistently locking in **long-term leases** and agreements of aid for tenants aiming for **future growth**
- According to a Wells Fargo analyst report, **VICI's marginal WACC is 6.87%** versus net lease peers at 7.43% and their biggest competitor GLPI at 7.48%

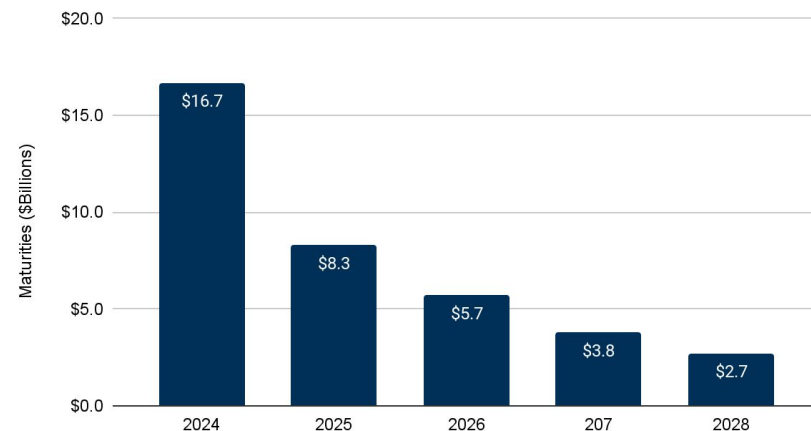
Total Revenue vs. Cost for Recent Acquisitions



Recent Track-Record

- **MGM Resorts and Mandalay Bay**
 - acquired both of these resorts entirely in the past two years at a **6.35% cap rate**
 - **Immediate \$310M addition** to annual cash rent
 - **~30 year lease** as well as **two 10Y renewals**
 - **3% rent escalation** for the first 15 years
 - **2.5-3.5% of tenant NOI** must be spent on CAPEX
- **Other transactions** in the past year include Venetian Resorts, Rocky Gap, Foundation Gaming Portfolio, PURE Casinos, Century Casinos, Canyon Ranch, and Bowlero
 - Acquisitions at **cap rates** between **7.3% and 8.3%**
 - All transactions have favorable **CPI escalation** and majority have **20+ year lease-term**

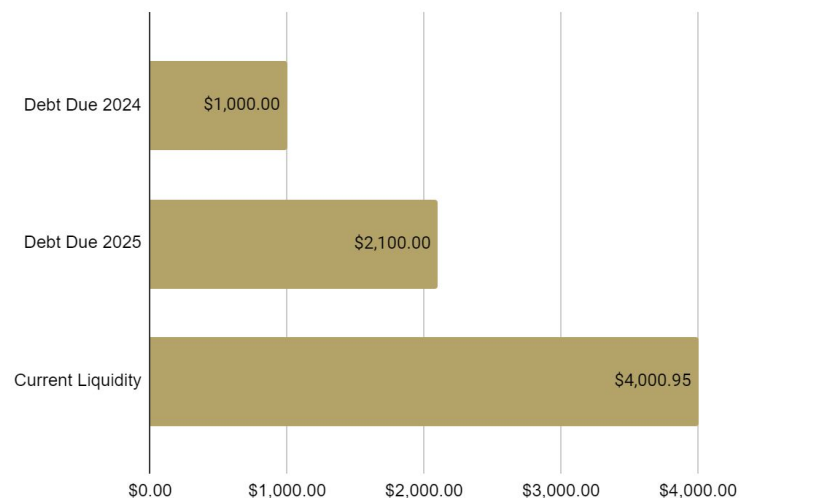
Resort & Hotel CMBS Maturity Schedule



*Details of all transactions can be found in appendices a-h

Cash Flow Abilities

- **Partner Property Growth Fund**
 - Enters multiple loans with tenants and partners to help with their development projects and capital improvements
 - Companies loaned to:
 - Fontainebleau Las Vegas- luxury resort and casino
 - Canyon Ranch Austin - wellness resort
 - Cabot Citrus Farms - golf courses
 - Great Wolf - vacation locations
- Pays out dividends to investors, with a **99%** increase in dividends paid to investors since 2020



Debt Makeup

- Current debt has seen **194.684%** increase in Debt from 2021 to 2022
 - However, this is due only to the **previous acquisitions** of gambling companies
- Total face value of debt is **\$13.950B** matching with **4.496%** average interest rate
 - **\$3.1B** due from 2024 - 2025
- Current Debt to EBITDA as of December of 2022: **6.91**
 - Implies that a large majority of growth is based on using debt as leverage([source](#))
 - **67%** increase due to their acquisitions from 2021
 - Little growth since **2018**

Cash Sources

- Total annual rent of **~ \$2.7B**
- Easily able to raise capital from debt– used to leverage growth due to limitations of being a [REIT](#)
- Issues senior unsecured notes to raise capital
 - Issued a total of **\$4.11B** notes in 2022
- Multiple equity offerings
 - IPO at **\$29.50** with **115,000,000** of common stock(\$ 3.3925 billion)
 - Offered **\$14,000,000** worth of **common stock** in Dec. 2022
 - Observable trend of multiple stock offerings from the company since 2020, totaling **~\$7.0B** dollars.

III. Valuation

Company	Market Cap	5Y Rev CAGR	FFO Payout Ratio	P/FFO	Net Debt/EBITDA	Net Debt/Equity	Dividend Yield
VICI Properties (VICI)	\$29.71B	32.37%	56.85%	14.29	5.82	0.693x	5.66%
Gaming and Leisure (GLPI)	\$12.35B	7.00%	83.85%	13.40	4.93	1.582x	6.21%
Host Hotels and Resorts (HST)	\$11.57B	-1.70%	28.30%	8.90	2.67	0.556x	4.43%
Ryman Hospitality (RHP)	\$5.17B	8.62%	49.57%	11.39	4.62	3.641x	4.62%
EPR Properties (EPR)	\$3.21B	-3.15%	63.67%	9.38	6.30	1.187x	7.74%
Median	\$8.37B	3.46%	56.62%	10.39	4.78	1.385x	5.42%

Positives

- **5Y Rev CAGR:** VICI has significantly grown revenue through acquisitions and favorably escalated lease terms
- **Net Debt/Equity:** This shows their ability to raise more debt when favorable and acquire favorable assets with lower leverage than competitors

Negatives

- **P/FFO:** VICI trades at a significant premium compared to the median– but this is due to their top of the line assets and acquisition ability

Multi-Period Discount Model - Net Income Growth

In USD Millions (ex Share Price)	2022A	2023E	2024E	2025E	2026E	Perpetuity
AFFO	1,162.00	2,130.00	2,257.80	2,393.27	2,536.86	
Dividends	871.50	1,597.50	1,693.35	1,794.95	1,902.65	33,615.69
PV of Dividends	871.50	1,453.83	1,402.47	1,352.92	1,305.13	
Terminal Value						
PV of Perpetuity						20,985.01
Total	27,370.86					
Implied Share Price:	\$27.01					
				Actual Share Price:	\$27.28	

Assumptions

Assumptions

AFFO Growth	6%
Exit Dividend Yield	5.7%
Payout Ratio	75.0%
Risk Free Rate	4.85%
Beta	0.85
Market Risk Premium	5.92%
Cost of Equity	9.88%
Shares Outstanding(millions)	1,013.4

- Conservative AFFO growth despite strong acquisitions that are likely to accelerate growth further
- VICI executive guidance for 2023 AFFO is almost double 2022 levels (strong inorganic growth)
- 75% AFFO payout ratio is maintainable in the long term

Net Asset Value Model



Net Asset Value Model		Ticker: VICI	
(\$ in thousands Except Per Share Data)			
		Total AFFO:	1,162.00
Capitalized Income:			
	AFFO	Cap Rate	% of AFFO
Regional Rental Properties	\$ 615.86	8.00%	53.00%
Las Vegas Rental Properties	\$ 546.14	6.57%	47.00%
Total Value:		\$ 16,011	100.00%
Balance Sheet Assets:			
Non-Operating Real Estate Assets:			
Total Real Estate Investments	\$ 36,213	\$ 36,213	
Mortgage Loans	\$ -	\$ -	
Other Balance Sheet Assets:			
Cash & Cash-Equivalents:	\$ 426	\$ 426	
Accounts Receivable	\$ -	\$ -	
Other Assets	\$ 936	\$ 936	
Total Asset Value:		\$ 53,587	
Liabilities:			
Total Debt, Net of Discounts:	\$ 14,922	\$ 14,922	
Other Liabilities	\$ 364	\$ 364	
Total Liabilities Value:		\$ 15,286	
Net Asset Value:		\$ 38,301	
Total Diluted Shares & Units Outstanding:		1,013.4	
Net Asset Value Per Share:		\$ 37.79	
Current Stock Price:		\$ 27.51	
Premium / (Discount) to NAV Per Share:		37.38% ▲	

	Weights	Prices
DDM	50.00%	\$27.01
NAVM	50.00%	\$37.79
Implied Price	\$32.40	
Discount	17.78% ▲	

- Cap Rates are based off of **recent acquisitions and records from management**, I entered higher cap rates to export more conservatively
- NAV is calculated with **2022 financial information**– utilizing the trailing twelve month info or 2023 expected info gives significantly **higher NAV values (\$45-\$50)**

IV. Conclusion

	Risk	Mitigation
1	Bond Notes Approaching Maturity <ul style="list-style-type: none"> VICI has ~\$1B of 5.625% bond notes due in 2024 and ~\$2B of notes with weighted average of 4.15% due in 2025 and similar size maturities every year after that until 2030 	~\$4B in liquidity consisting of: <ul style="list-style-type: none"> \$2.4B from a revolving credit facility \$867M from forward sale agreements \$739 in cash and cash equivalents
2	Lack of Tenant Diversification <ul style="list-style-type: none"> VICI is largely reliant on only a few of its most substantial tenants and the prosperity of Vegas as a whole due to the location of its centerpiece properties Two of its largest Vegas tenants, Caesars and MGM, make up a large portion of rent revenues 	<ul style="list-style-type: none"> Actively acquiring properties in other areas of the US, recently expanding in 15 states and one Canadian Province 53% of its portfolio located in other areas of the US and internationally
3	Online Gambling Competition <ul style="list-style-type: none"> The online gambling industry is experiencing rapid growth and could potentially compete with the success of VICI's tenants Projected to reach \$153.57B by 2030, accelerating at a CAGR of 11.7% 	<ul style="list-style-type: none"> However, online and physical gambling appear to currently have a complementary growth relationship Online casino revenue grew 35.2% YoY in 2022, yet traditional gaming experienced strong, steady growth with a 13.9% increase in table game revenue and 5.1% annual growth in slot machines
4	Recessionary Risk <ul style="list-style-type: none"> Economic conditions may lead to a decrease in gambling demand, contributing to elevated vacancy rates, reduced renewal rates, and unforeseen circumstances that result in less rent collection than expected 	<ul style="list-style-type: none"> VICI presently is at 100% occupancy with average remaining lease terms of over 42 years Gambling demand has proven to stagnate during a recession, and they're diversification into other experiential real estate will help with alternate cash flows

<u>Name</u>	<u>Position</u>	<u>Phone Number</u>	<u>Email</u>
Cooper Marx	Sector Head	404-845-6861	coopermarx7@gmail.com
Luke Roberts	Senior Analyst	470-345-3633	lukearoberts14@gmail.com
Rahul Gudapati	Analyst	770-789-0928	gudapati.rahul@gmail.com
Lexi Kittredge	Analyst	470-885-3399	akittredge3@gatech.edu
Demi Taiwo	Analyst	678-634-2343	dtaiwo6@gatech.edu
Jared Abrahamian	Senior Analyst	770-580-9867	jabrahamian3@gatech.edu
Rhese Goodsite	Senior Analyst	404-915-9310	rheseq13@gmail.com

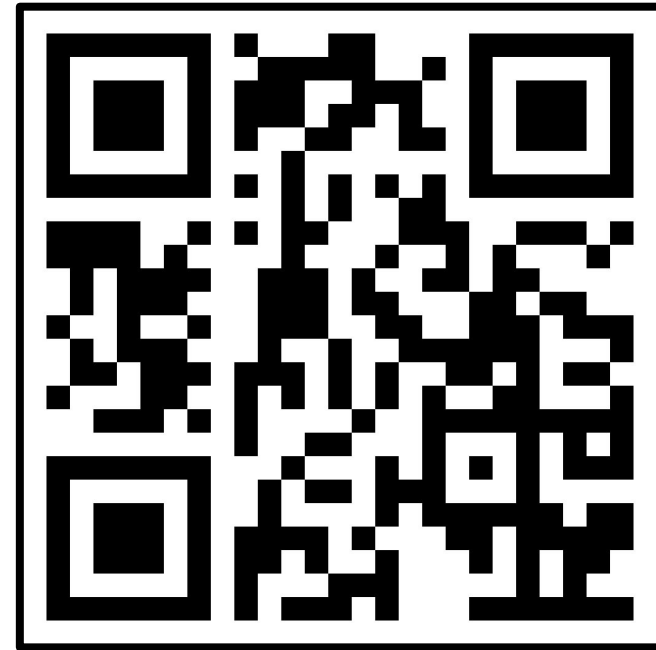
Vote Jared for Ramblin' Royalty!



Jared Abrahamian

Architecture Major

- IC Since 2021.
- Macro Senior Analyst 2022
- REITs Senior Analyst 2023



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V. Appendix

\$1.27Bn

Equity Purchase Price
for Remaining Interest

Expected to be Funded
with Cash and the
Settlement of Existing
Outstanding Forward
Equity Sale Agreements

VICI to Assume Remaining
49.9% of \$3.0Bn Property-
Level CMBS Debt

Summary MGM Grand / Mandalay Bay Master Lease Terms

Total Annual Cash Rent ⁽¹⁾	\$310 million
Term	30-year initial term with two 10-year renewal options (27 years remaining in the initial term, currently lease year 3)
Contractual Annual Escalation	2% in lease years 2-15 Greater of 2% or change in CPI (capped at 3%) thereafter
Guarantor	MGM Resorts International
Capex Requirements	3.5% of Net Revenues based on a 5-year rolling test (subject to a minimum of 2.5% for each property); 1.5% monthly reserves

Summary MGM Grand / Mandalay Bay CMBS Terms

Principal ⁽²⁾	\$3.0 billion
Fixed Interest Rate ⁽³⁾	3.558%
Maturity Date	March 5, 2032

THE VENETIAN RESORT REAL ESTATE ACQUISITION		TRIPLE NET LEASE SUMMARY	
PropCo Purchase Price	\$4.0 billion	Term	Initial term of 30 years, with two 10-year renewal options at tenant's option
Underwritten 2019A Adjusted EBITDAR	\$487 million	Contractual Rent Escalation	Greater of 2% or CPI per year, capped at 3%, beginning in 2023
Initial Annual Rent	\$250.0 million	Guarantee	Las Vegas Sands Corp. (NYSE: LVS) has agreed to guarantee the rent obligations to VICI through 2023 to the extent Adjusted EBITDAR generated by the Venetian Resort is less than \$500 million ⁽²⁾
Underwritten Rent Coverage	1.95x ⁽¹⁾		
PropCo Multiple Implied Cap Rate	16.00x 6.25%	Tenant Capex Requirements	2.0% of net revenue annually (exclusive of gaming equipment) on a rolling three-year basis with ramp-up

ROCKY GAP – TRANSACTION OVERVIEW

VICI ENTERED INTO DEFINITIVE DOCUMENTATION TO ACQUIRE THE REAL ESTATE ASSETS OF ROCKY GAP⁽¹⁾ AND LEASE TO CENTURY CASINOS IN AMENDED EXISTING MASTER LEASE

ROCKY GAP ACQUISITION		CENTURY CASINOS PARTNERSHIP	
Purchase Price	\$260.0 million (\$203.9 million PropCo / \$56.1 million OpCo)	Tenant	Wholly owned subsidiary of Century Casinos, Inc.
LTM 6/30/22 Adj. EBITDAR of Rocky Gap ⁽²⁾	\$26.3 million	Guarantor	Century Casinos, Inc. (NASDAQ: CNTY)
Asset Level Rent Coverage	1.70x	Triple-Net Lease Terms	Existing Century Master Lease extended such that initial lease term is 15 years from closing, with four 5-year tenant renewal options
Incremental Initial Annual Rent	\$15.5 million	Rent Escalation ⁽³⁾	Greater of 1.25% or the change in CPI
PropCo Multiple Implied RE Cap Rate	13.16x 7.60%	Variable Rent Mechanics	Variable rent to be removed from the amended Century Master Lease
PropCo Consideration	Cash on Balance Sheet / ATM Proceeds	Tenant Capex Requirements	1.0% of net revenue (excluding gaming equipment, IT etc.) annually on a rolling 3-year basis



On December 22, 2022, VICI acquired the real estate assets of Fitz Casino & Hotel (“Fitz”) and WaterView Casino & Hotel (“WaterView”) (collectively, the “Foundation Gaming Portfolio”) from Foundation Gaming & Entertainment, LLC (“Foundation Gaming”) and entered into a triple net master lease with Foundation Gaming

Foundation Gaming Portfolio Acquisition

Purchase Price	\$293.43 million
LTM 09/30/2022 Adjusted EBITDARM⁽¹⁾	\$47.9 million
Initial Annual Rent	\$24.25 million
Rent Coverage	2.0x
Multiple Implied Cap Rate	12.1x 8.3%

Triple Net Master Lease with Foundation Gaming

Tenants	Wholly owned subsidiaries of Foundation Gaming and Entertainment, LLC
Guarantor	Foundation Gaming and Entertainment, LLC
Lease Term	Initial term of 15 years followed by four 5-year renewal options
Rent Escalation	Lease Years 2-3: 1.0% Lease Years 4+: Greater of 1.5% or CPI (subject to 3.0% cap)
Tenant Capex Requirements	1.0% of net revenue (excluding gaming equipment, IT, etc.) annually on a rolling 3-year basis and a per-facility triennial capex requirement of 1% of three-year rolling net revenue

On January 6, 2023, VICI acquired the real estate assets of PURE Casino Edmonton, PURE Casino Yellowhead, PURE Casino Calgary, and PURE Casino Lethbridge (collectively, the “PURE Portfolio”) from PURE Canadian Gaming Corp. (“PURE”) and entered into a triple net master lease with PURE

**C\$271.9MM /
US\$200.8MM**

Purchase Price ⁽¹⁾

8.0%

Acquisition Cap Rate

1.8x

Initial Rent Coverage ⁽²⁾

Summary PURE Triple Net Master Lease Terms

Tenant	PURE Canadian Gaming Corp.
Initial Annual Cash Rent ⁽¹⁾	C\$21.8 million / US\$16.1 million
Term	Initial lease term of 25 years with four 5-year tenant renewal options
Contractual Annual Escalation	1.25% in lease years 2 and 3; the greater of Canadian CPI and 1.5% in lease years 4+ (capped at 2.5%)
Guarantor	Parent entity of PURE Canadian Gaming Corp.
Capex Requirements	1.0% of net revenue (excluding gaming equipment, IT, etc.) annually

On May 16, 2023, VICI entered into definitive documentation to acquire the real estate assets of four casinos in Alberta, Canada from Century Casinos, Inc. (“Century”) and lease back such assets to Century in an amended existing master lease; the four assets are Century Casino & Hotel Edmonton, Century Casino St. Albert, Century Downs Racetrack and Casino, and Century Mile Racetrack and Casino (collectively, the “Century Canadian Portfolio”)

**C\$221.7MM /
US\$164.7MM**
Purchase Price ⁽¹⁾

7.8%
Acquisition Cap Rate

**C\$17.3MM /
US\$12.8MM**
Initial Annual Cash Rent ⁽¹⁾

Century Triple Net Master Lease – Summary Amended Terms

Tenant	Wholly owned subsidiaries of Century Casinos, Inc.
Initial Annual Cash Rent ⁽¹⁾	C\$17.3 million / US\$12.8 million
Term	Existing Century Master Lease extended such that initial lease term is 15 years from closing, with four 5-year tenant renewal options ⁽²⁾
Rent Escalation	CAD denominated rent under the master lease escalates annually at the greater of 1.25% and Canadian CPI (not to exceed 2.50% for any given lease year) First escalation of CAD denominated rent occurs on January 1, 2025
Guarantor	Century Casinos, Inc. (NASDAQ: CNTY)

This transaction is subject to customary regulatory approvals and closing conditions and is expected to close in the second half of 2023

Transaction Summary

SUMMARY TRANSACTION TERMS

Preferred Equity Investment	Up to \$150 million
Preferred Equity Term	10 years; <i>optional redemption at any time, subject to a redemption premium in the first three years</i>
Real Estate Call Right	VICI will have the option to call the real estate assets of Canyon Ranch Tucson and Canyon Ranch Lenox, subject to certain conditions If the call right(s) are exercised, Canyon Ranch would continue to operate the applicable wellness resort(s) subject to a long-term triple-net lease with VICI
Right of First Financing	VICI will have the first right, but not the obligation, to serve as the real estate capital financing partner for Canyon Ranch with respect to the acquisition, build-out and redevelopment of future wellness resorts
Mortgage Financing	VICI intends to provide approximately \$150 million of mortgage financing secured by Canyon Ranch Tucson and Canyon Ranch Lenox to refinance the existing CMBS securing these two assets
Mortgage Financing Term	Initial term of 2 years with three one-year extensions exercisable at Canyon Ranch's option, subject to satisfying certain customary extension conditions Canyon Ranch shall repay such mortgage financing upon the earlier of maturity or VICI acquiring the real estate of either Canyon Ranch Tucson or Canyon Ranch Lenox (to the extent of the proceeds of such acquisition)

VICI CANYONRANCH.

On October 19, 2023, VICI completed the acquisition of the real estate assets of 38 bowling entertainment centers (the “Bowlero Portfolio”) from Bowlero Corp. (“Bowlero”) in a sale leaseback transaction and entered into a triple net master lease with Bowlero

Bowlero Master Lease – Summary Terms

Tenant	One or more wholly owned subsidiaries of Bowlero Corp.
Initial Annual Cash Rent	\$31.6MM
Term	Initial lease term of 25 years with six 5-year renewal options
Contractual Rent Escalation	Greater of 2.0% or CPI (subject to a 2.5% cap)
Guarantor	Bowlero Corp. (NYSE: BOWL)
Right of First Offer (“ROFO”)	Right of first offer on the sale leaseback of current or future Bowlero real estate for the next 8 years
Consideration	Units in a newly formed VICI subsidiary issued to Bowlero, cash on hand, and partial settlement of outstanding forward equity sale agreements

