

Gaming & Leisure Properties, Inc.
Form 10-Q
October 27, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36124

Gaming and Leisure Properties, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania 46-2116489

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

845 Berkshire Blvd., Suite 200

Wyomissing, PA 19610

(Address of principal executive offices) (Zip Code)

610-401-2900

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

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Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date

Title October 25, 2017

Common Stock, par value \$.01 per share 212,603,307

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Forward-looking statements in this document are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Gaming and Leisure Properties, Inc. ("GLPI") and its subsidiaries (collectively, the "Company") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include information concerning the Company's business strategy, plans, goals and objectives.

Forward-looking statements in this document include, but are not limited to, statements regarding our ability to grow our portfolio of gaming facilities and to secure additional avenues of growth beyond the gaming industry. In addition, statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate," and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors could affect future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

• the availability of and the ability to identify suitable and attractive acquisition and development opportunities and the ability to acquire and lease the respective properties on favorable terms;

• the degree and nature of our competition;

• the ability to receive, or delays in obtaining, the regulatory approvals required to own and/or operate our properties, or other delays or impediments to completing our planned acquisitions or projects;

• our ability to maintain our status as a real estate investment trust ("REIT"), given the highly technical and complex Internal Revenue Code (the "Code") provisions for which only limited judicial and administrative authorities exist, where even a technical or inadvertent violation could jeopardize REIT qualification and where requirements may depend in part on the actions of third parties over which the Company has no control or only limited influence;

• the satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis in order for the Company to maintain its REIT status;

• the ability and willingness of our tenants, operators and other third parties to meet and/or perform their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;

• the ability of our tenants and operators to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation to satisfy obligations under their existing credit facilities and other indebtedness;

• the ability of our tenants and operators to comply with laws, rules and regulations in the operation of our properties, to deliver high quality services, to attract and retain qualified personnel and to attract customers;

• the ability to generate sufficient cash flows to service our outstanding indebtedness;

• the access to debt and equity capital markets;

• adverse changes in our credit rating;

• fluctuating interest rates;

the impact of global or regional economic conditions;

the availability of qualified personnel and our ability to retain our key management personnel;

GLPI's duty to indemnify Penn National Gaming, Inc. and its subsidiaries ("Penn") in certain circumstances if the spin-off transaction described in Note 1 to the condensed consolidated financial statements fails to be tax-free;

- changes in the United States tax law and other state, federal or local laws, whether or not specific to real estate, real estate investment trusts or to the gaming, lodging or hospitality industries;

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• changes in accounting standards;

• the impact of weather events or conditions, natural disasters, acts of terrorism and other international hostilities, war or political instability;

• other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and

• additional factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, in this Quarterly Report on Form 10-Q and Current Reports on Form 8-K as filed with the United States Securities and Exchange Commission (the "SEC").

Certain of these factors and other factors, risks and uncertainties are discussed in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and this Quarterly Report on Form 10-Q. Other unknown or unpredictable factors may also cause actual results to differ materially from those projected by the forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond the control of the Company.

You should consider the areas of risk described above, as well as those set forth in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and this Quarterly Report on Form 10-Q, in connection with considering any forward-looking statements that may be made by the Company generally. Except for the ongoing obligations of the Company to disclose material information under the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required to do so by law.

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GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES

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ITEM 1. FINANCIAL STATEMENTSGaming and Leisure Properties, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(amounts in thousands, except share data)

	September 30, 2017	December 31, 2016
	(unaudited)	
Assets		
Real estate investments, net	\$ 3,687,319	\$3,739,091
Land rights, net	642,876	590,758
Property and equipment, used in operations, net	110,231	119,427
Investment in direct financing lease, net	2,656,252	2,710,711
Cash and cash equivalents	43,634	36,556
Prepaid expenses	9,762	7,477
Goodwill	75,521	75,521
Other intangible assets	9,577	9,577
Loan receivable	13,000	26,200
Deferred tax assets	5,898	3,922
Other assets	80,738	50,090
Total assets	\$ 7,334,808	\$7,369,330
Liabilities		
Accounts payable	\$ 435	\$1,079
Accrued expenses	8,077	6,590
Accrued interest	75,881	33,743
Accrued salaries and wages	6,884	10,619
Gaming, property, and other taxes	61,529	32,584
Long-term debt, net of unamortized debt issuance costs	4,449,652	4,664,965
Deferred rental revenue	215,407	166,052
Deferred tax liabilities	280	265
Other liabilities	23,559	19,564
Total liabilities	4,841,704	4,935,461
Shareholders' equity		
Preferred stock (\$.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at September 30, 2017 and December 31, 2016)	—	—
Common stock (\$.01 par value, 500,000,000 shares authorized, 212,603,307 and 207,676,827 shares issued at September 30, 2017 and December 31, 2016, respectively)	2,126	2,077
Additional paid-in capital	3,927,786	3,760,729
Retained accumulated deficit	(1,436,808)	(1,328,937)
Total shareholders' equity	2,493,104	2,433,869
Total liabilities and shareholders' equity	\$ 7,334,808	\$7,369,330

See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues				
Rental income	\$ 169,030	\$ 160,664	\$ 501,954	\$ 402,980
Income from direct financing lease	19,037	18,155	55,377	30,786
Real estate taxes paid by tenants	21,422	20,438	63,982	47,938
Total rental revenue and income from direct financing lease	209,489	199,257	621,313	481,704
Gaming, food, beverage and other	36,198	35,383	112,947	111,913
Total revenues	245,687	234,640	734,260	593,617
Less promotional allowances	(1,181)	(1,365)	(3,650)	(4,161)
Net revenues	244,506	233,275	730,610	589,456
Operating expenses				
Gaming, food, beverage and other	19,890	20,117	61,635	62,293
Real estate taxes	21,751	20,866	64,806	49,148
General and administrative	21,534	21,821	63,456	64,988
Depreciation	28,632	27,165	85,312	81,267
Total operating expenses	91,807	89,969	275,209	257,696
Income from operations	152,699	143,306	455,401	331,760
Other income (expenses)				
Interest expense	(54,493)	(52,880)	(163,099)	(132,217)
Interest income	492	481	1,443	1,652
Total other expenses	(54,001)	(52,399)	(161,656)	(130,565)
Income before income taxes	98,698	90,907	293,745	201,195
Income tax expense	1,684	1,307	6,406	5,582
Net income	\$97,014	\$89,600	\$287,339	\$195,613
Earnings per common share:				
Basic earnings per common share	\$0.46	\$0.43	\$1.37	\$1.15
Diluted earnings per common share	\$0.45	\$0.43	\$1.35	\$1.14
Dividends paid per common share	\$0.63	\$0.60	\$1.87	\$1.72

See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc. and Subsidiaries
 Condensed Consolidated Statement of Changes in Shareholders' Equity
 (in thousands, except share data)
 (unaudited)

	Common Stock		Additional Paid-In Capital	Retained Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, December 31, 2016	207,676,827	\$ 2,077	\$3,760,729	\$(1,328,937)	\$2,433,869
Issuance of common stock	3,864,872	38	139,376	—	139,414
Stock option activity	899,846	9	18,632	—	18,641
Restricted stock activity	161,762	2	9,049	—	9,051
Dividends paid	—	—	—	(395,210)	(395,210)
Net income	—	—	—	287,339	287,339
Balance, September 30, 2017	212,603,307	\$ 2,126	\$3,927,786	\$(1,436,808)	\$2,493,104

See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc. and Subsidiaries
 Condensed Consolidated Statements of Cash Flows
 (in thousands)
 (unaudited)

Nine months ended September 30,	2017	2016
Operating activities		
Net income	\$287,339	\$195,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92,939	85,119
Amortization of debt issuance costs	9,770	11,889
Losses (gains) on dispositions of property	515	