

Important disclosures can be found on pages 6 - 10 of this report.

Penn National Gaming, Inc. (PENN – \$12.18*)

Company Update

Wyomissing, PA
June 19, 2014

Outperform
Price Target: \$14.50

STOCK DATA

52-Week Range	\$15.50 – \$10.26
3-Month ADTV	1,207,434
Dividend Yield	NA
Market Cap (mil)	\$957.3
Shrs Outstanding (mil)	78.6
Beta	0.55
Float (%)	88.7
Fiscal Year-End	December

EARNINGS DATA

EPS	2013A	2014E	2015E
1Q	\$0.67	\$0.06A	—
2Q	\$0.62	\$0.06	—
3Q	\$0.45	\$0.00	—
4Q	\$0.00	(\$0.03)	—
FY	\$1.74	\$0.12	\$0.41

Estimates for 2014 and beyond reflect the spin-off Gaming and Leisure Properties

FINANCIAL DATA

	2013A	2014E	2015E
FY EBITDA (mil)	\$695.0	\$257.1	\$284.8

EBITDA (mil): Estimates for 2014 and beyond reflect the spin-off of Gaming and Leisure Properties

2Q Looks to Be Tracking Ahead

Summary and Recommendation




Regional gaming trends remain soft, but we are seeing narrowing declines and a trendline for Penn National Gaming, Inc. (PENN) that puts it on pace to potentially exceed 2Q consensus and guidance. Highlights: (1) Same-store declines for reporting properties narrowed from –19% in 1Q to –10% QTD; (2) Toledo and Columbus comps shifted to positive in May; and (3) the QTD trends puts Penn on a trajectory for approximately \$655 million of 2Q revenue, versus a \$645 million consensus and \$641 million guidance. Bigger picture, we remain a buyer of PENN on the view that the current price does not fairly reflect the value of the company's highly visible project pipeline. We have not counted on it, but any improvement in underlying fundamentals could add to the case.

Key Points

- **Background.** Penn has 12 casinos that report monthly gaming win via state agencies, accounting for about 77% of total revenue.
- **The trend.** Win for the 12-casino set was down 19% in 1Q, with declines narrowing to 12% in April and 8% in May. On a QTD basis, win was down 10%. Within that, we saw the two Ohio properties shift from negative to positive comps in May, with win going from down 7% in 1Q to down 3% in April and up 6% in May.
- **Implications.** While Penn clearly faces a very challenging environment with a tough macro and competitive backdrop, we are seeing some improvement, and expectations are very low. Our 2Q estimate, which aligns with guidance, assumes a decline in win for those 12 properties of 13%. With QTD win down 10%, the June comp would have to be down 20%, and that appears unlikely. All else equal, assuming a 10% decline for June would put 2Q revenue at over \$655 million. That would be well ahead of our \$640 million estimate and the \$645 million consensus.
- **Big picture.** PENN's modest valuation at 6.5x 2015E EBITDA reflects ongoing concern around estimate risk in light of consistent guidance cuts on weak regional trends. While we have not seen a dramatic turn, we are clearly seeing some improvement and even the potential for upside to guidance. Meanwhile, Penn has a highly visible project pipeline, which we expect to add around \$115 million to annual EBITDA by 2017. That would drive a 2014–2017 EBITDA CAGR of over 10% before factoring in any potential recovery in same-store EBITDA. The point is that confidence in the bull case is rising.

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The Debate™

Debatable Point	Our Thoughts	Time Frame	Impact
Can Penn overcome the regional malaise?	Estimates have been under consistent pressure with general weakness in consumer spend and the impact on Penn of competitive openings. Incremental openings are likely to weigh on key properties in 2014, and we have yet to see any sign of a rebound in the general regional backdrop. That said, expectations are very low, and we have gone through numerous rounds of estimate cuts. At this point, we see downside estimate risk as modest.	6 to 12 Months	
Is Penn poised for a turn?	It is hard to say when the tide may turn in the regional gaming markets. However, we think Penn has done a superior job in scaling back costs and ramping margins in a very difficult top-line environment. Those efforts should position Penn well to benefit when a turnaround does unfold.	12 to 24 Months	
How can Penn grow?	Despite the difficult backdrop across Penn's core markets, it has a pipeline of confirmed development projects set for delivery over the next three years. Projects with a total budget of \$1.1 billion are currently under construction, and we project an annualized EBITDA contribution of \$90 million to \$100 million by 2017.	2 Years+	

Investment Thesis

Our positive stance on Penn National Gaming, Inc. reflects several themes: (1) Cost-cutting efforts should position Penn to benefit from an eventual turn in regional fundamentals; (2) a healthy project pipeline should drive 8%-plus EBITDA growth through 2017 before assuming any recovery for the existing business; and (3) at the current valuation, we argue that investors are effectively getting existing operations at a fair price and paying little to nothing for the pipeline.

Valuation

Our \$14.50 price target is based on a sum-of-the-parts analysis: existing assets (\$10.05 at 7x EBITDA), Ohio racinos (\$2.60 at 6.5x–7x), Plainridge (\$1.00 at 7x), and the Jamul management deal (\$0.85, present value of interest and management fees).

Notes from the Road; Valuation Continues to Discount Compelling Growth Pipeline

We recently hosted several well-attended investor meetings with PENN's senior executive management team, including CEO, Tim Wilmott, COO, Jay Snowden, and CFO, Saul Reibstein. We left the meetings with our favorable long-term view intact, as we continue to believe the current valuation multiple (6.6x CY15E EBITDA) unfairly discounts PENN's multi-faceted development pipeline.

In addition to the two Ohio (Dayton and Austintown) VLT facilities scheduled to open later this year, PENN's pipeline currently consists of the 1,250 VLT Plainridge (MA) racetrack development and a seven-year management agreement at the Jamul (CA) tribal property, scheduled to open in early-2016. Of these opportunities, we sense the greatest potential upside lies in the Plainridge project, as we estimate a two-to-three year window before additional competition enters the market, which should allow the property to generate \$35M to \$44M in incremental EBITDA out of the gate, resulting in a cash-on-cash return in the upper-teens on the \$275M investment. Although recent media-sponsored polls have shown an initiative to have a question authorizing the repeal of recently-passed gaming legislation placed on the November ballot as polling favorably, management noted its own internal polling has shown those opposed to the measure outweighing those in favor by ~10%.

On the regional operating front, trends remain in line with management's previously articulated commentary. PENN continues to see scaled-back visitation from patrons in the sub-\$100 per trip segment of its player database, while patrons at the upper end (> \$300 per trip) have begun to modestly expand their per trip spending habits. From a market supply perspective, management noted properties not dealing with the pressures created by a new market entrant are showing GGR declines at roughly half the level of markets in which new supply has recently entered, on average. All of that said, however, management is somewhat encouraged as it looks ahead to 2015, as it has begun to see evidence of several of its recently-opened properties, most notably the Toledo and Columbus assets, begin to gain traction in their respective markets, while the new competition-induced headwinds should begin to ease in a relative sense.

In the end, we continue to view PENN as an attractive outlier in the otherwise impaired regional operator space. That said, while structural regional gaming challenges persist, PENN's attractive near-term development pipeline and an undemanding valuation keep us interested in the investment case. Accordingly, we reiterate our Buy rating and \$14 target price on PENN shares, which reflects the application of a more appropriate 7.5x multiple on CY16E EBITDA of \$315M.

Read on.

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Changes	Previous	Current
Rating	—	Buy
Target Price	—	\$14.00
FY14E EPS (Net)	—	\$0.12
FY15E EPS (Net)	—	\$0.32
FY14E Rev (Net)	—	\$2.52B
FY15E Rev (Net)	—	\$2.62B

Price (06/20/14):	\$11.95
52-Week Range:	\$16 – \$10
Market Cap.(mm):	1,060.0
Shr.O/S-Diluted (mm):	88.7
Enterprise Val. (mm):	\$1,855.0
Avg Daily Vol (3 Mo):	1,190,015
LT Debt/Total Cap.:	57.7%
Net Cash/Share:	\$0.00
Book Value/Share:	\$8.77
Dividend(\$ / %)	\$0.00 / 0.0%
S&P Index	1,962.87

EPS (Net)	2013A	2014E	2015E
Q1	\$0.63	\$0.05A	\$0.11
Q2	(0.12)	0.06	0.10
Q3	0.40	0.01	0.08
Q4	0.00	0.00	0.04
FY Dec	\$0.98A	\$0.12	\$0.32
P/E	12.2x	99.6x	37.3x

Rev (Net)	2013A	2014E	2015E
FY Dec	\$2.92B	\$2.52B	\$2.62B
EV/Revenue	0.6x	0.7x	0.7x



Notes from the Road; Current Continues to Discount Compelling Growth Pipeline

We recently hosted several well-attended investor meetings with PENN's senior executive management team, including CEO, Tim Wilmott, COO, Jay Snowden, and CFO, Saul Reibstein. We left the meetings with our favorable long-term view intact, as we continue to believe the current valuation multiple (6.6x CY15E EBITDA) unfairly discounts PENN's multi-faceted development pipeline.

In addition to the two Ohio (Dayton and Austintown) VLT facilities scheduled to open later this year, PENN's pipeline currently consists of the 1,250 VLT Plainridge (MA) racetrack development and a seven-year management agreement at the Jamul (CA) tribal property, scheduled to open in early-2016. Of these opportunities, we sense the greatest potential upside lies in the Plainridge project, as we estimate a two-to-three year window before additional competition enters the market, which should allow the property to generate \$35M to \$44M in incremental EBITDA out of the gate, resulting in a cash-on-cash return in the upper-teens on the \$275M investment. Although recent media-sponsored polls have shown an initiative to have a question authorizing the repeal of recently-passed gaming legislation placed on the November ballot as polling favorably, management noted its own internal polling has shown those opposed to the measure outweighing those in favor by ~10%. Furthermore, management believes the fact that this year's election involves a gubernatorial vote should work in its favor even if the repeal question finds its way onto the ballot, as voter turnout is likely to be higher than in a non-gubernatorial year. Lastly, in a show of confidence, management commented it has no intention of scaling back site preparation or construction efforts at the site leading up to the July 9th ballot question ruling.

On the regional operating front, trends remain in line with management's previously articulated commentary. PENN continues to see scaled-back visitation from patrons in the sub-\$100 per trip segment of its player database, while patrons at the upper end (> \$300 per trip) have begun to modestly expand their per trip spending habits. The company's polling efforts have shown that lower end consumers are not substituting casino trips for other forms of entertainment, rather they do not have confidence in their own financial situations and thus have reigned in entertainment spending altogether. From a market supply perspective, management noted properties not dealing with the pressures created by a new market entrant are showing GGR declines at roughly half the level of markets in which new supply has recently entered, on average. All of that said, however, management is somewhat encouraged as it looks ahead to 2015, as it has begun to see evidence of several of its recently-opened properties, most notably the Toledo and Columbus assets, begin to gain traction in their respective markets, while the new competition-induced headwinds should begin to ease in a relative sense. Finally, since the separation of PENN and GLPI, management, through a comprehensive overview of its cost structure, has effectively reduced like for like corporate overhead by 25% and, more importantly, noted it believes there is still room to generate cost-driven margin improvement at the property level. That said, we believe PENN could drive outsized EBITDA growth relative to its peers going forward should regional top-line pressures persist.

In the end, we continue to view PENN as an attractive outlier in the otherwise impaired regional operator space. That said, while structural regional gaming challenges persist, PENN's attractive near-term development pipeline and an undemanding valuation keep us interested in the investment case. Accordingly, we reiterate our Buy rating and \$14 target price on PENN shares, which reflects the application of a more appropriate 7.5x multiple on CY16E EBITDA of \$315M.

Meeting Highlights***Development Updates***

- Management noted the Dayton and Austintown VLT facilities remain on schedule to open later this year. In response to changing underlying market demand trends, management has scaled back the number of VLT's scheduled to be placed at each facility from 1,500 to 1,000. GLPI is providing \$180M for each of the \$260M developments.

- A ruling as to whether a ballot question intended to repeal gaming legislation in MA can be added to the ballot is expected by July 9th. In contrast to recently publicized media poll results, management indicated its own internal polling shows voters in favor of gaming by a margin of 10%. Thus far PENN has invested roughly half of the planned \$225M investment, including a \$25M license fee and \$42M in land acquisition costs. Management plans to continue moving full steam ahead on the development leading up to the July 9th decision. The project is on schedule to open in 2Q15 and should benefit from a two to three year window without any in-market direct competition.

- The Jamul tribal facility is expected to open in early-2016. Management is providing backstop financing on the \$360M project in return for a seven-year management agreement.

- Management has submitted a bid, along with partner Cordish Cos., for one of the four recently approved licenses in New York State. The approved legislation allows for the issuance of four licenses in three regions. Applications are due in ten days and management believes decisions will be made in 2014, following the November election. PENN, along with Cordish, has proposed a \$750 development (\$375M each) to be located just off of the New York State Thruway in Orange County, roughly 50 miles from Manhattan. Throughout the design phase, management has been mindful to create more of a day-trip property (boutique hotel etc.), as opposed to a bigger destination resort, to ensure the development could co-exist with the more destination-oriented resorts being proposed in the Catskills region. Assuming all goes according to plan, management believes the facility could be up and running by mid-2017, provided the company is chosen for a license. We sense management has the greatest expectations for this project within its current development pipeline.

- Management continues to target cash-on-cash FCF returns in excess of 7% on all capital allocation decisions.

General Business Trends

- PENN continues to see decreased visitation amongst guests who spend \$100 per trip or less. Based on internal polling, these guests are not substituting for other forms of entertainment, rather they have scaled back entertainment spending altogether as a result of diminished confidence in their own personal financial situations.

- Play at the upper end (>\$300 per trip) has shown incremental strength of late, with guest spend per trip trending higher, on average.

- Management indicated the GGR declines in markets that are not facing new competition are roughly half as much as those in markets in which a new competitor has entered.

- Looking ahead to 2015, management is somewhat encouraged, as it has begun to see evidence of several of its recently-opened properties, most notably the

Toledo and Columbus assets, begin to gain traction in their respective markets, while the new competition-induced headwinds should begin to ease in a relative sense.

- The PENN/GLPI split provided management with an opportunity to take a fresh look at its corporate cost structure. As a result, management has been able to reduce like for like corporate overhead by 25%. More importantly, management noted it believes incremental opportunities exist to further refine property-level cost structures.

- Finding the right asset to acquire on the Strip remains a priority; however, the price and location would have to make sense. PENN currently has 4.5M names in its player database; however, the M only generated 5,000 room nights from the database last year. Company polling shows guests like to visit LV; however, when they do so, they want to stay on the Strip.

- Management believes PA regulators could delay the award of the state's final Philadelphia license given supply/demand imbalance concerns in the market. As a reminder, five developers, including PENN, are currently competing for the Philadelphia license.

Equipment Manufacturer Commentary

- When asked what was working on its floor today, management was most complimentary of Multimedia Games' (MGAM/Buy) TournEvent product and Scientific Games' (SGMS/Hold) Gamefield XD concept. Management noted TournEvent continues to deliver premium yields, while its tournament capabilities have served as an attractive marketing tool.

- By and large management was fairly critical of the equipment supplier group, commenting that it has seen few technological or form factor changes in recent years impactful enough to compel the company to reconsider its slot capital spending decisions.

- PENN continues to right size slot counts at properties in which new competition has saturated the market, citing sizable reductions at Lawrenceburg and Charles Town. In certain instances, management has reallocated the removed units to new openings, effectively reducing overall startup capital costs. Additionally, PENN has scaled back the scope of its soon to open Ohio VLT facilities to include 1,000 devices versus original plans which called for 1,500 units. As a rule of thumb, management indicated average yields below \$200 generally indicate excess capacity on the floor, while yields above \$300 are often indicative of too few units.

Target Price Methodology/Risks

Our \$14 target price is based on 7.5x our 2016E EBITDA of \$315M as well as our 2016 sum-of-the-parts analysis.

Risks to our target price include increased competition, changing laws and regulations, severe weather, deteriorating economic conditions, and possible increases in gaming taxes.

Company Description

Penn National Gaming, through its subsidiaries, owns, operates or has ownership interests in gaming and racing facilities with a focus on slot machine entertainment. The Company presently operates twenty-six facilities in seventeen jurisdictions, including Florida, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West

Virginia, and Ontario. In aggregate, Penn National's operated facilities feature approximately 31,000 gaming machines, 800 table games and 2,900 hotel rooms.

Important Disclosures and Certifications

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For a price chart with our ratings and target price changes for PENN go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=PENN>

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Stifel makes a market in the securities of Penn National Gaming, Inc..

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Our investment rating system is three tiered, defined as follows:

BUY -For U.S. securities we expect the stock to outperform the S&P 500 by more than 10% over the next 12 months. For Canadian securities we expect the stock to outperform the S&P/TSX Composite Index by more than 10% over the next 12 months. For other non-U.S. securities we expect the stock to outperform the MSCI World Index by more than 10% over the next 12 months. For yield-sensitive securities, we expect a total return in excess of 12% over the next 12 months for U.S. securities as compared to the S&P 500, for Canadian securities as compared to the S&P/TSX Composite Index, and for other non-U.S. securities as compared to the MSCI World Index.

HOLD -For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL -For U.S. securities we expect the stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. For Canadian securities we expect the stock to underperform the S&P/TSX Composite Index by more than 10% over the next 12 months and believe the stock could decline in value. For other non-U.S. securities we expect the stock to underperform the MSCI World Index by more than 10% over the next 12 months and believe the stock could decline in value.

Of the securities we rate, 48% are rated Buy, 50% are rated Hold, and 2% are rated Sell.

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Risks

Competitive risks. Penn National faces stiff competition across a number of its key casino properties, and same-store gaming win has been under pressure. That pressure led to several downward revisions in guidance and could be a source of estimate risk moving forward. Looking ahead, new gaming supply in Maryland and Ohio in particular could prove to be a risk point.

Legislative risk. Changes to the legislation governing gaming operations could create a financial burden. For tax-hungry states, gaming may prove to be an easy target.

Economic sensitivity. Gaming is an economically sensitive business, and Penn National's financial performance could be affected by any weakening in macroeconomic conditions.

Company Profile

Penn National Gaming, Inc. is a leading U.S. regional casino operator. The company owns, manages, or has a stake in 19 properties with a total of nearly 36,000 slot machines, more than 800 table games, and close to 3,000 hotel rooms. The company announced plans in November 2012 to split the business into a REIT and an operating company. The spin-off of the REIT, Gaming and Leisure Properties (GLPI), occurred on November 1, 2013, with regular-way trading commencing on November 4, 2013. GLPI intends to elect REIT status in 2014, which will require it to pay out historical retained earnings and profits via a special dividend. The dividend is estimated by management at \$1.05 billion, with 26% expected to be paid in cash and the rest in GLPI stock. GLPI will own the underlying real estate, which will be leased back to OpCo under a triple-net 35-year lease agreement. The gaming licenses will reside with New Penn, which will continue to own outright a 50% joint venture stake in Hollywood Casino at Kansas Speedway, seven non-casino racetracks, and gaming equipment.

Monthly Gaming Win Analysis

\$ in Millions

	1Q13				2Q13				3Q13				4Q13			
	Jan	Feb	March	Total	April	May	June	Total	July	August	Sept	Total	Oct	Nov	Dec	Total
Charles Town-WV	38.8	40.9	42.6	122.2	37.6	38.9	37.3	113.9	41.5	36.2	31.6	109.3	30.9	30.9	28.6	90.4
Hollywood Lawrenceburg-IN	28.3	29.5	28.8	86.6	23.4	21.1	20.2	64.8	21.7	21.6	19.3	62.6	19.2	19.0	17.1	55.3
Penn National-PA	21.4	22.5	26.5	70.4	23.8	23.8	22.8	70.4	22.9	22.7	20.0	65.6	20.6	20.3	19.5	60.3
Hollywood Aurora-IL	10.9	11.7	14.2	36.7	12.5	12.9	12.3	37.8	12.1	12.3	11.1	35.4	10.7	10.8	10.5	32.0
Empress Casino-IL	10.7	11.1	12.9	34.6	11.9	11.9	11.4	35.2	10.9	10.9	10.2	32.0	10.1	9.7	9.7	29.5
Argosy Riverside-MO	12.3	12.5	14.5	39.3	12.8	13.1	12.3	38.3	12.6	12.6	11.3	36.5	11.1	11.7	11.1	33.9
Hollywood Baton Rouge-LA	6.5	7.6	8.0	22.1	7.0	6.9	6.8	20.6	6.3	6.0	5.4	17.7	5.6	5.8	5.8	11.3
Argosy Alton-IL	5.3	5.6	6.6	17.5	5.9	5.7	4.4	16.1	5.5	5.6	5.0	16.0	4.9	4.9	4.8	14.6
Argosy Sioux City-IA	4.4	4.9	5.2	14.4	4.6	4.6	4.0	13.3	4.1	4.1	3.9	12.2	4.0	4.1	4.0	12.1
Bangor-ME	4.1	3.9	5.0	13.0	4.5	5.0	4.7	14.2	5.2	5.2	4.8	15.1	4.5	4.3	3.6	12.4
Perryville-MD	5.5	6.0	9.5	20.9	8.4	8.6	7.8	24.8	7.5	7.7	6.6	21.8	6.9	6.6	6.6	13.5
Toledo	14.3	14.8	17.8	46.9	16.4	15.8	15.2	47.3	15.4	15.9	14.1	45.4	14.6	14.9	14.3	43.7
Columbus	18.3	18.5	20.9	57.7	18.1	16.7	16.5	51.3	17.5	16.9	15.7	50.1	17.7	17.5	16.5	51.7
Harrah's St. Louis-11/2/2012	19.4	20.7	22.7	62.7	19.7	20.5	17.7	57.9	20.7	19.8	18.4	58.9	17.2	17.5	18.1	52.8
Total	199.9	210.0	235.3	645.1	206.8	205.6	193.4	605.8	203.8	197.4	177.4	578.6	177.8	178.0	157.7	513.6

	1Q14				2Q14				3Q14				4Q14			
	Jan	Feb	March	Total	April	May	June	Total	July	August	Sept	Total	Oct	Nov	Dec	Total
Charles Town-WV	28.1	31.3	30.8	90.2	31.2	33.5										
Hollywood Lawrenceburg-IN	14.4	16.6	18.2	49.2	16.7	16.1										
Penn National-PA	18.6	19.4	23.9	61.9	20.7	22.3										
Hollywood Aurora-IL	9.0	10.1	12.3	31.3	11.4	11.4										
Empress Casino-IL	8.6	9.4	11.1	29.1	11.4	11.4										
Argosy Riverside-MO	11.3	11.9	13.1	36.3	12.2	12.9										
Hollywood Baton Rouge-LA																
Argosy Alton-IL	4.5	4.6	5.5	14.7	4.6	5.1										
Argosy Sioux City-IA	3.8	4.1	4.5	12.4	4.0	3.9										
Bangor-ME	4.1	3.8	4.5	12.5	4.5	4.9										
Perryville-MD																
Toledo	11.5	15.3	17.4	44.2	16.1	16.2										
Columbus	15.3	17.5	20.8	53.5	17.4	18.3										
Harrah's St. Louis-11/2/2012	17.3	18.0	20.3	55.6	18.7	19.6										
Total	146.3	162.0	182.6	490.8	168.9	175.7										

	1Q14				2Q14				3Q14				4Q14			
	Jan	Feb	March	Total	April	May	June	Total	July	August	Sept	Total	Oct	Nov	Dec	Total
Charles Town-WV	-27.5%	-23.4%	-27.5%	-26.1%	-17.1%	-14.0%										
Hollywood Lawrenceburg-IN	-49.3%	-43.8%	-36.7%	-43.2%	-28.9%	-24.0%										
Penn National-PA	-13.2%	-13.7%	-9.8%	-12.1%	-12.8%	-6.2%										
Hollywood Aurora-IL	-17.6%	-13.8%	-13.7%	-14.9%	-9.3%	-11.9%										
Empress Casino-IL	-19.7%	-15.3%	-13.6%	-16.0%	-4.4%	-4.3%										
Argosy Riverside-MO	-7.9%	-4.6%	-9.9%	-7.6%	-5.2%	-1.3%										
Hollywood Baton Rouge-LA																
Argosy Alton-IL	-14.4%	-18.4%	-16.3%	-16.4%	-21.9%	-11.2%										
Argosy Sioux City-IA	-13.6%	-16.0%	-13.6%	-14.4%	-13.2%	-15.4%										
Bangor-ME	0.8%	-1.9%	-9.0%	-3.8%	-0.2%	-0.5%										
Perryville-MD																
Toledo	-19.3%	3.5%	-2.5%	-5.7%	-1.8%	2.7%										
Columbus	-16.4%	-5.5%	-0.8%	-7.2%	-3.8%	9.5%										
Harrah's St. Louis	-11.0%	-12.7%	-10.3%	-11.3%	-5.0%	-4.6%										
Total	-26.8%	-22.9%	-22.4%	-23.9%	-18.3%	-14.6%										

Source: State gaming agencies and FBR Research

Income Statement—Penn National Gaming, Inc. (PENN)

\$ in Millions

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E
Net Revenue											
East/Midwest	458.5	430.9	403.9	359.2	1,652.6	349.4	346.1	337.6	338.0	1,371.1	1,574.7
West	62.2	61.4	57.5	59.0	240.1	60.9	60.5	57.0	58.0	236.4	230.0
Southern Plains	268.3	258.8	246.4	220.5	994.1	223.8	226.8	218.3	210.5	879.4	856.2
Other	9.2	10.2	6.6	5.9	32.0	7.0	7.0	7.0	7.0	28.0	28.0
Total Net Revenue	798.2	761.4	714.4	644.7	2,918.8	641.1	640.4	619.9	613.5	2,514.9	2,688.9
EBITDAR											
East/Midwest	147.5	138.4	124.9	111.7	522.6	101.7	103.8	101.3	101.4	408.2	472.4
West	17.9	17.6	10.9	15.1	61.5	18.6	18.8	10.8	14.5	62.6	63.3
Southern Plains	81.8	80.7	70.6	61.7	294.8	71.0	72.6	63.3	58.9	265.9	265.4
Other	-26.6	-25.3	-24.4	-38.2	-114.4	-16.5	-15.0	-15.0	-15.0	-61.5	-60.0
EBITDAR	220.7	211.4	182.1	150.3	764.5	174.7	180.2	160.4	159.8	675.2	741.1
Rent	0.0	0.0	0.0	-69.5	-69.5	-104.3	-104.3	-104.3	-105.1	-418.1	-456.3
Total EBITDA	220.7	211.4	182.1	80.8	695.0	70.4	75.9	56.1	54.7	257.1	284.8
JV Loss	1.7	3.8	2.3	1.8	9.7	2.5	0.0	0.0	0.0	2.5	0.0
D&A	77.1	80.6	80.0	60.7	298.3	47.4	46.5	38.5	38.5	170.9	165.0
Stock Comp	6.3	5.5	6.4	4.7	22.8	2.6	3.4	3.5	3.5	12.9	15.0
Other	2.4	74.6	0.2	1,059.0	1,136.2	0.0	5.0	5.0	8.0	18.0	12.0
Operating Income	133.3	46.9	93.3	-1,045.4	-772.0	18.1	21.0	9.1	4.8	52.9	92.8
Interest Income	0.3	0.3	0.4	0.4	1.4	0.5	0.5	0.8	1.0	2.8	27.8
Interest Expense	-27.9	-27.1	-25.1	-17.0	-97.1	-11.3	-11.5	-11.5	-11.5	-45.8	-50.8
JV Loss	1.7	3.8	2.3	1.8	9.7	2.5	0.0	0.0	0.0	2.5	0.0
Other	0.7	2.4	-0.4	-60.5	-57.9	1.6	0.0	1.0	1.0	3.6	0.0
Pretax Income	108.0	26.4	70.4	-1,120.8	-915.9	11.3	10.0	-0.6	-4.7	16.0	69.7
Income Taxes	-42.8	-38.6	-29.1	232.0	121.5	-6.8	-4.5	0.2	1.7	-6.2	-31.4
Net Income	65.3	-12.2	41.3	-888.7	-794.3	4.5	5.5	-0.4	-3.0	9.8	38.3
Non-Recurring Items	3.7	74.9	5.5	889.1	973.2	0.9	0.0	0.0	0.0	0.9	0.0
Adjusted Net	69.0	62.8	46.8	0.4	178.9	5.4	5.5	-0.4	-3.0	10.6	38.3
EPS	\$0.63	-\$0.16	\$0.40	-\$11.40	-\$7.72	\$0.05	\$0.06	\$0.00	-\$0.03	\$0.11	\$0.41
Adjusted EPS	\$0.67	\$0.62	\$0.45	\$0.00	\$1.74	\$0.06	\$0.06	\$0.00	-\$0.03	\$0.12	\$0.41
Diluted Shares	102.9	78.3	103.4	77.9	102.9	88.7	89.0	89.5	90.0	89.3	93.0

Proprietary to FBR Capital Markets & Co. June 19, 2014

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Source: Company documents and FBR Research

*Closing price of last trading day immediately prior to the date of this publication unless otherwise indicated.

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Selling Uncovered Calls--Unlimited risk that investors may experience losses much greater than premium received.

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Buying Calendar Spreads (different expiration months with short expiration earlier than long). Investors may lose the entire premium paid.

Selling Call or Put Vertical Spreads (Calls--short call and long call with higher strike; Puts--short put and long put with a lower strike, same expiration month for both options.) Investors risk the loss of the difference between the strike prices, reduced by the premium received.

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HOLD [Market Perform]	46.47%	4.02%
SELL [Underperform]	2.28%	0.00%

(1) As of midnight on the business day immediately prior to the date of this publication.

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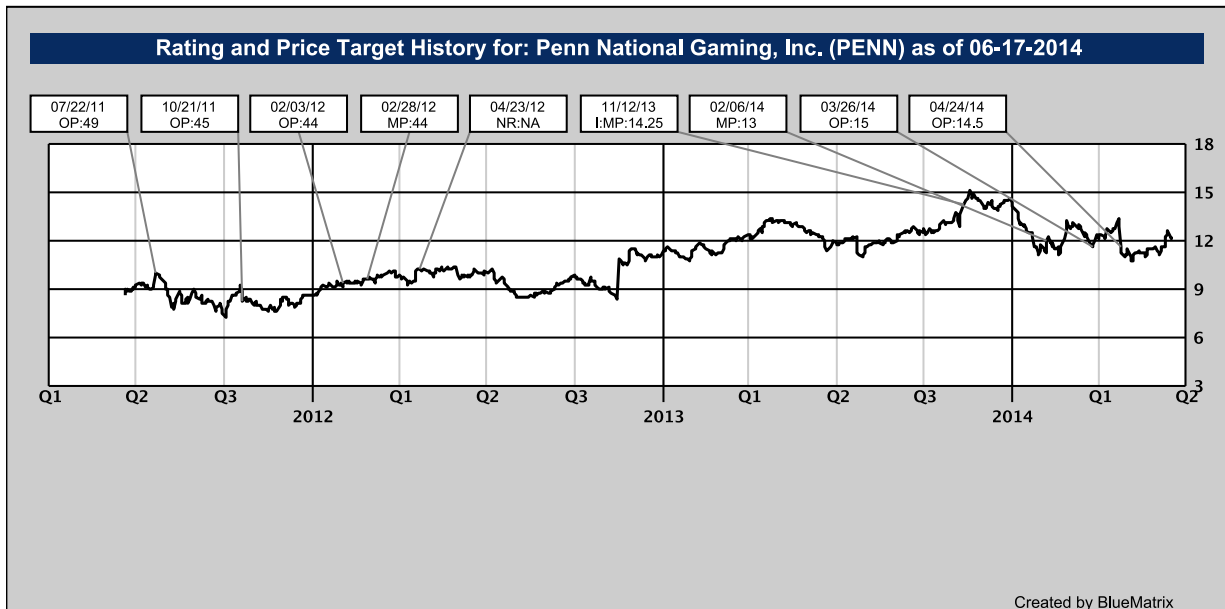
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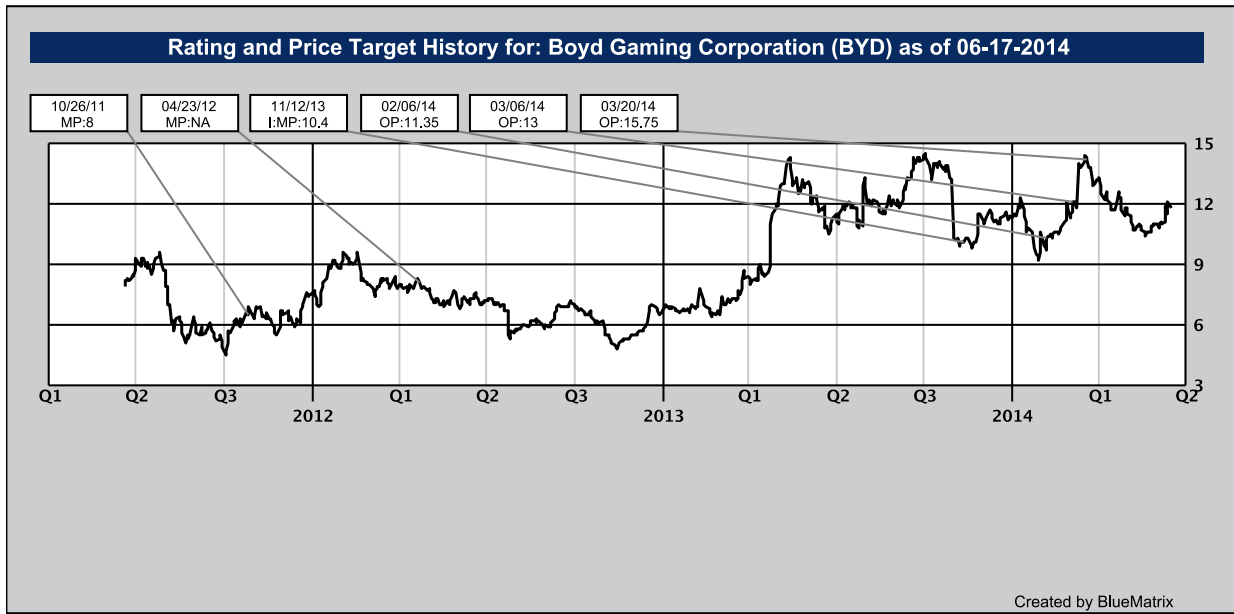
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Penn National Gaming

Heads Up on Massachusetts

PENN shares could face pressure in the near term if a referendum to repeal gaming in MA is allowed on the November ballot. We view any weakness in PENN shares created by such an outcome as a buying opportunity. While we believe PENN's current stock price does not reflect any upside from a MA casino, it is a near-term catalyst; any risk to that catalyst could be perceived negatively. Ultimately, we do not believe the November ballot will succeed, leaving PENN as the sole casino operator in MA by at least a two-year margin. Recall, on 4/9 we upgraded PENN ([Upgrading to Overweight](#)) based on valuation upside driven by two new casinos including one in MA.

The MA Supreme Judicial Court (SJC) is expected to decide by July 9, whether or not to allow the public to vote on repealing gaming legislation on November 4. We believe there is a greater than 50% probability this issue will go to the voters, which could pressure shares as it would open the door for a potential repeal of gaming legislation.

While recent polling suggests MA residents now oppose gaming expansion in the state for the first time since 2011, we believe the referendum would ultimately fail should it come to a vote on November 4. A large voter turnout for the gubernatorial election (historically good for pro-gaming causes), operators campaigning to educate voters on the economic benefits of gaming (a top voter concern) and the language that will be used in phrasing the ballot question could be a benefit for casino supporters.

Despite the ongoing efforts to repeal the legislation, the Plainridge Park racino is on plan for a June 2015 opening. The company broke ground on the \$125mn project and estimates it will have spent roughly \$80mn by November this year. The facility will have 1,250 slots. We estimate Plainridge could be worth \$3 per share to PENN.

We do not expect developments in MA to impact MGM and WYNN even though they are also pursuing MA licenses. MGM is allowed to wait until there is a resolution in the repeal efforts before paying the \$85mn license fee and WYNN is still in the bidding process for the Boston-area license, which should be granted this September.

PENN: Quarterly and Annual EPS (USD)

FY Dec	2013		2014		2015		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2014	2015
Q1	0.63A	0.05A	0.05A	0.05A	N/A	N/A	0.12E	-92%	N/A
Q2	-0.16A	0.07E	0.07E	0.07E	N/A	N/A	0.14E	144%	N/A
Q3	0.40A	0.07E	0.07E	0.03E	N/A	N/A	0.10E	-83%	N/A
Q4	-11.40A	-0.05E	-0.05E	-0.01E	N/A	N/A	0.03E	100%	N/A
Year	-10.19A	0.14E	0.14E	0.14E	0.28E	0.28E	0.38E	101%	100%
P/E	N/A		85.9			43.5			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 6.

Stock Rating **OVERWEIGHT**
Unchanged

Industry View **NEUTRAL**
Unchanged

Price Target **USD 14.00**
Unchanged

Price (17-Jun-2014) USD 12.28
Potential Upside/Downside +14%
Tickers PENN

Market Cap (USD mn) 965
Shares Outstanding (mn) 78.59
Free Float (%) 89.97
52 Wk Avg Daily Volume (mn) 2.8
Dividend Yield (%) N/A
Return on Equity TTM (%) -54.45
Current BVPS (USD) 9.91

Source: Thomson Reuters

Price Performance Exchange-Nasdaq
52 Week range USD 15.50-10.26



[Link to Barclays Live for interactive charting](#)

Gaming

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Penn National Gaming (PENN) Stock Rating: OVERWEIGHT

Income statement (\$mn)	2013A	2014E	2015E	2016E	CAGR
Revenue	2,919	2,514	2,639	2,796	-1.4%
EBITDA	695	256	267	316	-23.1%
EBIT	-764	68	70	119	N/A
Pre-tax income	-916	25	41	99	N/A
Net income	-794	13	25	61	N/A
EPS (reported) (\$)	-10.19	0.14	0.28	0.68	N/A
Diluted shares (mn)	77.9	89.4	89.4	89.4	4.7%
DPS (\$)	0.00	0.00	0.00	0.00	N/A

Price (17-Jun-2014) USD 12.28
 Price Target USD 14.00

Why Overweight? Despite a challenging regional gaming environment and competition in many of PENN's markets, we believe PENN has potential near term catalysts that could drive value including new properties in MA and CA.

Upside case USD 20.00

Recovery in muted regional markets could provide incremental growth that could result in multiple expansion and upside for the stock. A half turn increase in our EV/EBITDA multiple drives our upside target of \$20.

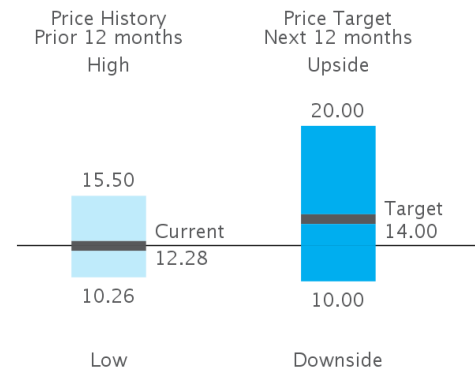
Downside case USD 10.00

A repeal of the casino bill in MA and further deterioration in the regional environment could push already muted growth estimates down further and cause multiple contraction. Our downside uses a 5.3x multiple of 2015E EV/EBITDA and does not include a benefit from the MA facility.

Margin and return data	Average				
EBITDA margin (%)	23.8	10.2	10.1	11.3	13.9
EBIT margin (%)	-26.2	2.7	2.6	4.2	-4.1
Pre-tax margin (%)	-31.4	1.0	1.6	3.6	-6.3
Net margin (%)	-27.2	0.5	1.0	2.2	-5.9
ROIC (%)	-21.3	0.5	0.9	2.1	-4.5
ROE (%)	-10.8	0.2	0.0	0.0	-2.7

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	293	288	205	219	-9.2%
Short and long-term debt	1,062	1,312	1,432	1,322	7.6%
Net debt/(funds)	769	1,024	1,227	1,103	12.8%
Shareholders' equity	1,438	1,451	1,476	1,536	2.2%
Change in working capital	-47	0	0	0	N/A
Cash flow from operations	441	192	189	257	-16.4%
Capital expenditure	-200	-460	-392	-133	N/A
Free cash flow	-696	-277	-189	105	N/A

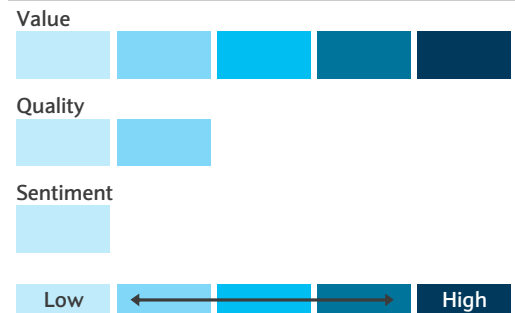
Upside/Downside scenarios



Valuation and leverage metrics	Average				
P/E (reported) (x)	N/A	85.9	43.5	18.1	49.2
EV/EBITDA (x)	2.7	8.2	8.7	6.9	6.6
Equity FCF yield (%)	-61.6	9.4	10.3	13.2	-7.2
EV/sales (x)	0.6	0.8	0.9	0.8	0.8
P/BV (x)	0.7	0.8	0.7	0.7	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Total debt/capital (%)	42.5	47.5	49.2	46.2	46.4

Selected operating metrics (\$mn)	CAGR				
Midwest revenue	1,653	1,386	1,501	1,618	-0.7%
Midwest EBITDA	437	174	173	181	-25.5%
East/West revenue	240	259	279	307	8.5%
East/West EBITDA	113	30	43	85	-9.3%
Southern Plains revenue	994	843	833	845	-5.3%
Southern Plains EBITDA	259	126	124	123	-21.9%

POINT® Quantitative Equity Scores



Source: POINT®. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, please go to the equity company page on Barclays Live.

Source: Company data, Barclays Research
 Note: FY End Dec

Heads Up on Massachusetts

Given the recent shift in public opinion of gaming expansion in Massachusetts and the threat of gaming legislation repeal, we thought it would be helpful to answer a few questions about the current situation and offer our view on the impact of the potential outcomes. While we believe the upcoming state Supreme Judicial Court (SJC) ruling on the constitutionality of a gaming repeal ballot question could be a short-term risk to PENN shares given its impact on a positive near-term catalyst, we continue to be bullish on the stock and believe the repeal efforts will ultimately fail. Thus, we would be buyers on any short-term weakness in response to the SJC ruling (expected in early July) or leading up to election day in November should polling suggest a tight race for the repeal initiative.

As a reminder, we upgraded PENN shares to Overweight from Equal Weight (industry view: Neutral) on April 9, 2014.

Where are we now?

While the Massachusetts Gaming Commission (MGC) has already selected PENN and MGM as operators for two of the four state gaming licenses, the SJC is currently deliberating on the constitutionality of adding a referendum question to the November ballot that would repeal the gaming legislation. The SJC is expected to rule on the matter ahead of the July 9th deadline for adding referendums. We view this as the first of two possible near-term risks for PENN shares; a ruling to allow the referendum to go to the November ballot opens the door for a potential repeal of casino legislation.

Last week on June 13, the MGC designated MGM as the Western MA resort license winner. Since the repeal efforts are ongoing, the MGC has agreed to let MGM wait until the repeal situation is resolved to pay the \$85 million license fee. In the event the repeal is defeated through SJC ruling (expected by July 9) or by ballot vote on November 4, MGM will have 30 days from either event to pay the license fee.

The MGC has said it will award the Boston-area license by September and we would expect a similar deal to be worked out regarding license fee payment. The South Eastern license is set to be issued in February 2015. While PENN does not expect the Western MA facility to compete with Plainridge, they do expect eventual cannibalization from the Boston-area and South Eastern license winners.

What if the SJC allows the referendum to be added to the ballot?

Should the SJC allow the repeal question on the November ballot, we would expect this to be a short-term negative for the stock. Not only does it allow for the possibility of the referendum passing but it could also result in elevated corporate expenses as the operators pursuing licenses would likely campaign against the referendum.

We view any weakness created by the SJC allowing the repeal question as a buying opportunity. Ultimately, we expect the referendum to fail in November for a number of reasons: 1) Given this is a gubernatorial election year in Massachusetts, we would expect a large voter turnout, which has historically been a benefit for gaming supporters; 2) We would expect PENN, MGM and Mohegan to campaign effectively and educate voters on the economic benefits and job creation associated with gaming development which are two of the biggest voter concerns; and 3) As we saw in New York's recent gaming expansion referendum, the phrasing of the ballot question is important. While some polls suggested the NY residents were relatively split on whether or not they would want a Las Vegas-style casino in the state, the ballot question was phrased to emphasize the economic benefits and additional tax revenue that casinos would bring in. The proposition passed 57% to 43%. It is possible the MA referendum would be worded in a way that favors a positive outcome for the casinos.

Most Positive Outcome: The SJC prevents the referendum from going to the ballot

We would expect investors to view this as a positive since it would eliminate the threat of repeal and clear the way for PENN to open Plainridge in 2015. This would also allow the MGC to finish issuing gaming licenses in the state and for operators to begin construction on competing facilities. While MGM could start construction this summer, the Boston-area license winner will not be announced until September. That said, assuming construction does not start on any other facilities and that larger resorts could take at least two years to build, Plainridge could still operate as the only gaming facility in the state for at least two years. We estimate Plainridge could generate \$550 in win per unit per day and \$63 million in annual EBITDA during this period generating at least \$3 of incremental per share value to PENN.

Near-term Negative/Ultimate Positive: The referendum to repeal casino legislation fails in November

While the stock could remain weak from July to November, especially if polling continues to show a tight race for the ballot question, a failure of the referendum is an obvious positive. The longer term benefit to PENN from this scenario would be the likely delay of construction starting on competing casinos by at least another two to three months. We would also note that further delays in the MGC awarding licenses as well as the potential for lawsuits surrounding the Boston-area and South Eastern licenses could allow PENN to operate as the only casino in eastern Massachusetts for more than our estimated two years.

Most Negative Outcome: Massachusetts voters repeal the casino legislation

This would be the worst case scenario for PENN as the company would lose out on its most valuable pipeline project, in our view, and would have to begin the complicated task of recouping as much of its investment in Plainridge as possible. Given the MGC's arrangement with MGM regarding the \$85 million Western MA license fee, we would expect PENN to try to negotiate some sort of deal with the MGC ahead of the November ballot to recoup the \$25 million slots parlor license fee should a referendum pass. More difficult, however, would be recouping the roughly \$40 million PENN spent to acquire the racetrack and roughly \$40 million in construction we estimate they would have invested by November. We would expect a variety of lawsuits to be filed to recoup some of those costs but cannot predict the timing or outcome of any such litigation. While a negative for shares, we believe investors are not currently crediting PENN for the value to Plainridge, which likely limits the downside. Importantly, PENN still faces another valuable new construction project, the Hollywood Casino Jamul, which is expected to complete in early 2016, is in a prime location outside of San Diego and could add between \$1 and \$2 to the company's stock price.

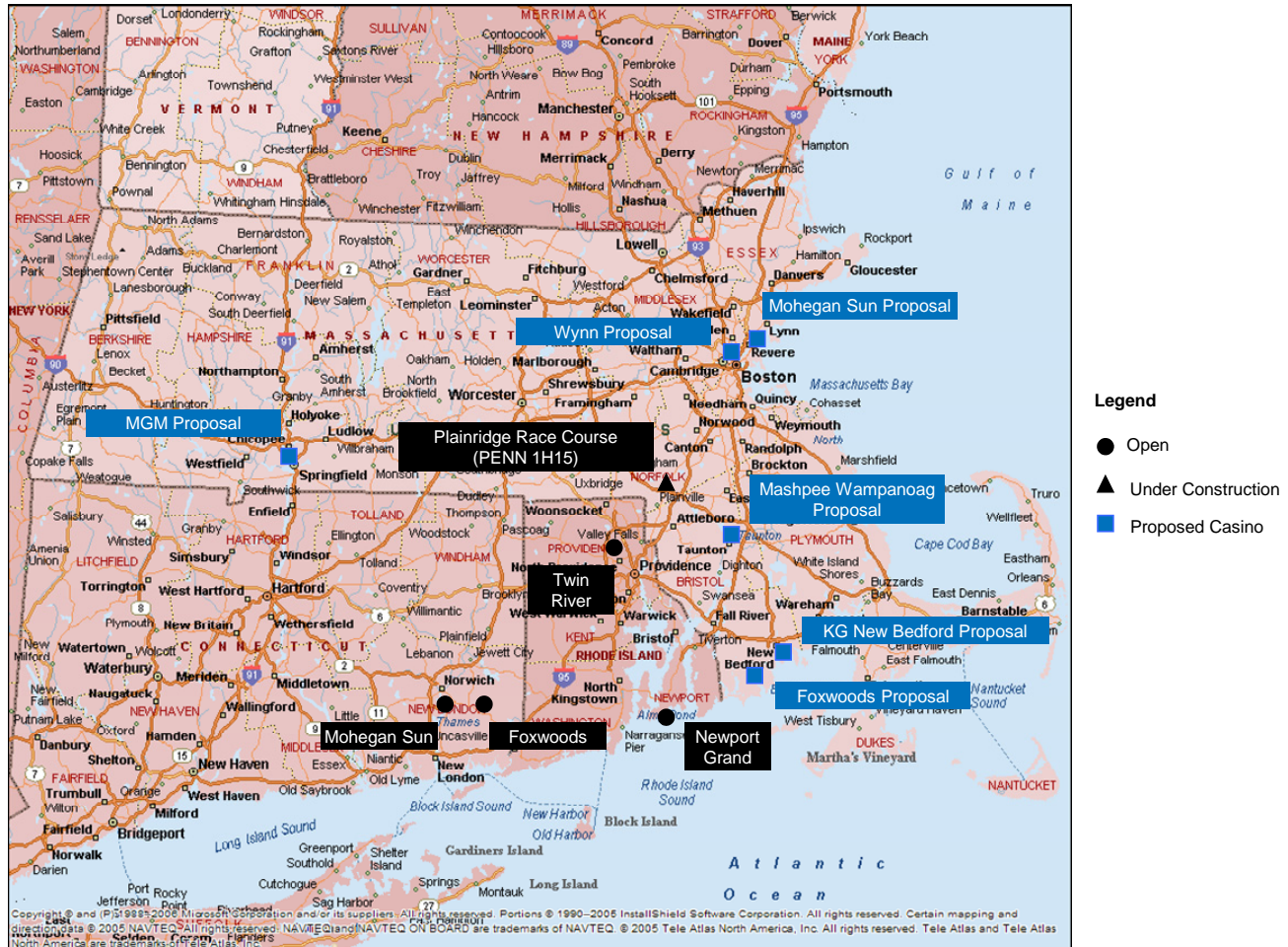
How is the casino expansion polling?

The most recent polls suggest that public opinion of casinos has shifted and that a majority of residents now oppose casinos in the state. It is important to note that casino legislation had enjoyed popular support consistently since being passed in 2011, and these polls reflect a recent complete reversal in sentiment. According to a Suffolk University/Boston Herald Poll from June 9, 2014, 47% of Massachusetts residents now disapprove of Massachusetts casinos versus 37% that support them. The same poll was conducted in February and suggested 51% of residents were in favor of casinos versus 37% that opposed (Source: "Voters flip-flop on casino issue," Boston Herald, 6/9/14).

We believe the grass-roots campaign against casinos has gained momentum recently, capitalizing on high profile lawsuits and delays in the licensing process. Support at the local level likely remains relatively strong as communities like Plainville and Everett passed their

respective local referendums on casinos by over 70%. Ultimately however, we believe PENN, MGM and Mohegan Sun, all which have voiced support for the current gaming legislation, would campaign to defeat the referendum. Given the large expected voter turnout for the gubernatorial election, which is usually a positive for pro-gaming legislation questions, as well as the concerns over slow economic growth and employment, we believe the operators could make a compelling case for the economic benefits of development in the state.

FIGURE 1
Massachusetts Gaming Expansion



Source: MGC, company reports and Barclays Research

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Primary Stocks (Ticker, Date, Price)

Penn National Gaming (PENN, 17-Jun-2014, USD 12.28), Overweight/Neutral, C/J/K/M

Materially Mentioned Stocks (Ticker, Date, Price)

MGM Resorts International (MGM, 17-Jun-2014, USD 24.79), Overweight/Neutral, A/C/D/F/J/K/L/M

Wynn Resorts Ltd. (WYNN, 17-Jun-2014, USD 197.45), Overweight/Neutral, C/J

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

Gaming

Boyd Gaming (BYD)	Caesars Entertainment (CZR)	Gaming & Leisure Properties, Inc. (GLPI)
International Game Technology (IGT)	Las Vegas Sands Corp. (LVS)	MGM Resorts International (MGM)
Penn National Gaming (PENN)	Pinnacle Entertainment (PNK)	Wynn Resorts Ltd. (WYNN)

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Barclays Equity Research has 2607 companies under coverage.

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A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

These scores are valid as of the date of this report. To view the latest scores, which are updated monthly, [click here](#).

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IMPORTANT DISCLOSURES CONTINUED

Penn National Gaming (PENN)

USD 12.28 (17-Jun-2014)

Stock Rating

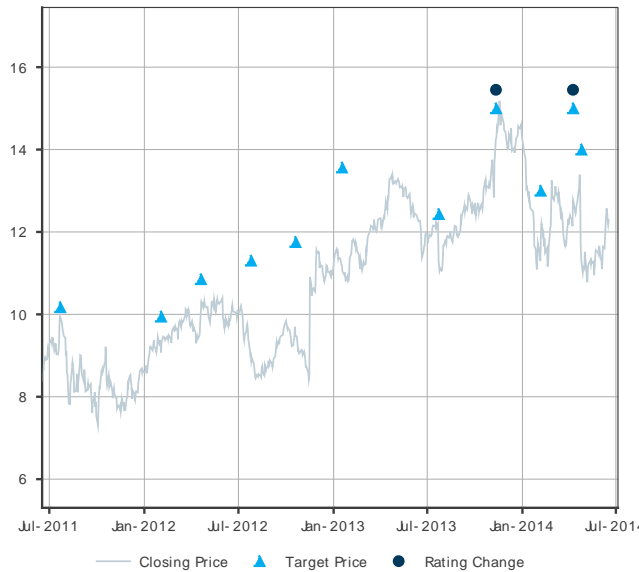
OVERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 17-Jun-2014)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
25-Apr-2014	11.30		14.00
09-Apr-2014	12.78	Overweight	15.00
05-Feb-2014	11.30		13.00
11-Nov-2013	14.26	Equal Weight	15.00
23-Jul-2013	11.30		12.43
17-Jan-2013	11.19		13.56
19-Oct-2012	9.49		11.75
25-Jul-2012	9.02		11.30
19-Apr-2012	10.07		10.85
02-Feb-2012	9.07		9.95
22-Jul-2011	9.94		10.17

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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Valuation Methodology: Our \$14 price target is based on a 6.3x EV/EBITDA multiple of 2015E estimated EBITDA of \$248.3 million (ex-Plainville) and net debt of \$721.8 million (ex-Jamul and Plainville) and a share count of 90.6 million. We also add \$3 for the Plainville project and \$2 for the Jamul project.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks include competitive risk related to new property and/or existing property expansions in current markets; legislative/regulatory risk related to new gaming jurisdictions and/or adverse changes in state and federal gaming and tax regulations; geopolitical/economic risk related to adverse changes in general economic conditions domestically and internationally.

IMPORTANT DISCLOSURES CONTINUED

MGM Resorts International (MGM)

USD 24.79 (17-Jun-2014)

Stock Rating

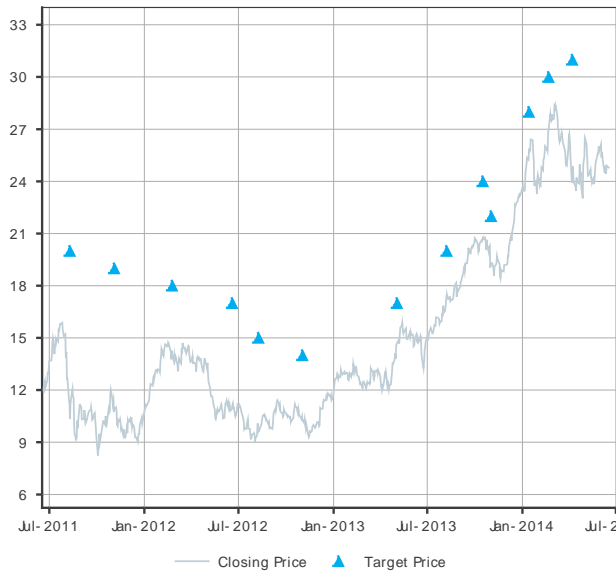
OVERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 17-Jun-2014)

Currency=USD



Date	Closing Price	Rating *	Adjusted Price Target
07-Apr-2014	23.92		31.00
20-Feb-2014	26.83		30.00
13-Jan-2014	25.25		28.00
01-Nov-2013	19.30		22.00
16-Oct-2013	20.69		24.00
07-Aug-2013	17.28		20.00
03-May-2013	14.66		17.00
01-Nov-2012	10.47		14.00
08-Aug-2012	9.82		15.00
18-Jun-2012	10.91		17.00
23-Feb-2012	14.27		18.00
03-Nov-2011	10.73		19.00
09-Aug-2011	11.18		20.00

Source: Thomson Reuters, Barclays Research

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*The rating for this security remained Overweight during the relevant period.

Source: IDC, Barclays Research

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Valuation Methodology: Our \$31 price target is based on a blended 8.9x multiple on MGM's wholly owned 2015 EBITDA (\$1.4 billion) and estimated net debt (ex Macau) of \$8.3 billion, resulting in \$8 per share. In addition, we attribute \$16 to MGM's stakes in MGM Macau and CityCenter, \$6 to MGM's Cotai project and \$1 to Maryland.

Risks which May Impede the Achievement of the Barclays Research Price Target: The main risk is if the Cotai project is delayed or falls short of forecasts for macro or industry-specific reasons. Other risks include competitive risk related to new property and/or existing property expansions in current markets; legislative/regulatory risk related to new gaming jurisdictions and/or adverse changes in state and federal gaming and tax regulations; geopolitical/economic risk related to adverse changes in general economic conditions domestically and internationally; and risk of future terrorist attacks or other factors contributing to changes in travel patterns.

IMPORTANT DISCLOSURES CONTINUED

Wynn Resorts Ltd. (WYNN)

USD 197.45 (17-Jun-2014)

Stock Rating

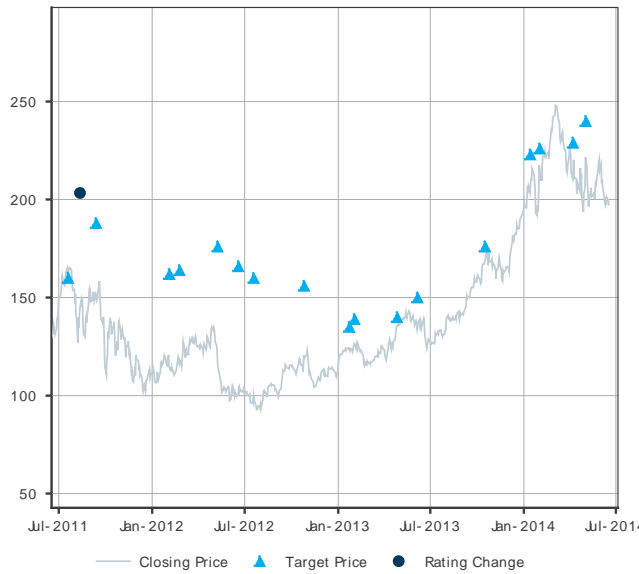
OVERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 17-Jun-2014)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
02-May-2014	221.68		240.00
07-Apr-2014	210.71		229.00
31-Jan-2014	217.42		226.00
13-Jan-2014	203.47		223.00
16-Oct-2013	168.58		176.00
05-Jun-2013	133.78		150.00
26-Apr-2013	135.50		140.00
01-Feb-2013	126.37		139.00
22-Jan-2013	124.32		135.00
25-Oct-2012	120.43		156.00
18-Jul-2012	96.29		160.00
18-Jun-2012	100.33		166.00
08-May-2012	119.23		176.00
23-Feb-2012	116.34		164.00
03-Feb-2012	114.98		162.00
12-Sep-2011	151.72		188.00
12-Aug-2011	145.32	Overweight	
19-Jul-2011	162.27		160.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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Valuation Methodology: Our \$240 price target is based on a 12.5x EV/EBITDA multiple on our 2015E EBITDA estimate of \$1,988 million, net debt of \$544.4 million and minority interest of \$6,117 million, resulting in \$179 per share for Wynn's current operations, plus \$61 per share for Wynn Palace.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risk Factors include a dependence on robust market growth in Macau and the Chinese government to continue accommodating growth in Macau; prolonged economic headwinds in the United States that could limit recovery in Las Vegas; increased capacity in Las Vegas and Macau; delay of the company's Cotai project; and an unclear path to succession at the executive level of Wynn Resorts.

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