



## Investor Presentation



Atlantis Casino Resort Spa in Reno, NV



Monarch Casino in Black Hawk, CO

August 2017

# Forward-Looking Information

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This presentation contains certain forward-looking information that generally can be identified by the context of the statement or the use of forward-looking terminology, such as “believes,” “estimates,” “anticipates,” “intends,” “expects,” “plans,” “is confident that,” “should” or words of similar meaning, with reference to Monarch Casino & Resort or our management. Similarly, statements that describe our future plans, objectives, strategies, financial results or position, operational expectations, or goals are forward-looking statements. It is possible that our expectations may not be met due to various factors, many of which are beyond our control, and we therefore cannot give any assurance that such expectations will prove to be correct. For a discussion of relevant factors, risks, and uncertainties that could materially affect our future results, attention is directed to Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations in our latest 10-Q and other filings under the Securities and Exchange Act of 1934.

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- 5) Conclusion

# Company Overview

## Summary

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- **Excellent economic fundamentals in both Reno and Black Hawk markets**
  - Significant and diverse business investment in Reno
  - Denver economy is among the nation's strongest
- **Monarch's properties have the premier locations in both markets**
- **Hands-on, results-oriented management with strong operating track record**
  - Increased adjusted EBITDA 55% at Black Hawk in first year of ownership
- **Black Hawk expansion and resort development has broken ground**
- **Strong balance sheet with current leverage of 0.4x**
- **Financial overview: 2017 Q2 LTM**
  - Net revenue of \$224.3 million
  - Adjusted EBITDA of \$58.9 million

# Company Overview

## Regional Summary

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### Reno, NV

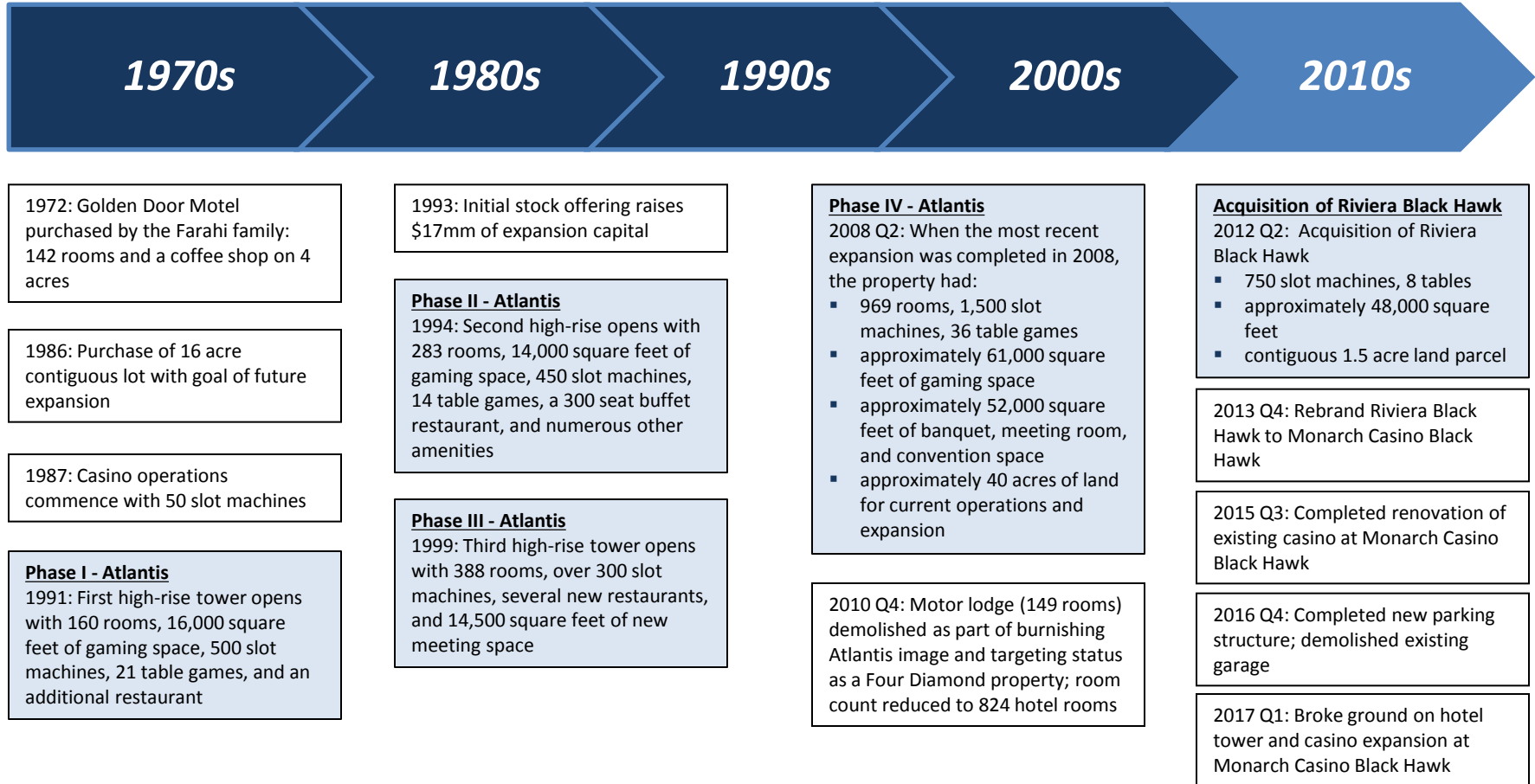
- Atlantis has been continually upgraded and expanded in recent years
  - Investment of over \$95 million completed in 2009
  - Toucan Charlie's Buffet recently redesigned and upgraded
  - Added 300 new surface parking spaces
  - Minimal forward maintenance capex requirements

### Black Hawk, CO

- Moving forward with conversion of property into full-scale casino resort spa with approximately 500 hotel rooms
  - New 1,350 space parking structure now open
  - Broke ground on hotel tower and casino expansion in February 2017

# Company Overview

## Historic Milestones



*Management has established track record of success in executing phased development projects with focus on generating attractive returns; four major projects completed on time and on budget*

# Company Overview

## Positive Market Characteristics for the Reno Market

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### *Wall Street Journal* – **“Housing Crunch Threatens Reno’s Tech Boom”**

*“Since 2012, about 30,000 jobs have been created in the Reno metro area, according to the Economic Development Authority of Western Nevada, with another 30,000 expected by the end of the decade. Those figures don't include the Google deal, whose projected job numbers haven't yet been disclosed.”* – April 20, 2017

### *Reno Gazette-Journal* – **“Switch: Largest Data Center Building in World Opens Near Reno”**

*“The new Tahoe Reno 1 building is part of a grander plan to build the biggest data center campus in the world. First announced as the SuperNAP Tahoe Reno, the Citadel Campus will be 7.2 million square feet in size once finished — up from the originally planned 6.5 million square feet.”* – February 15, 2017

### *Northern Nevada Business Weekly* – **“Reno-Tahoe International Airport Preparing for the Future with New Master Plan”**

*“With a constant stream of new companies setting up shop in the market, about 50,000 new jobs are expected in the five years from 2015-2020. That will increase the population flying in and out of the airport plus stimulate an increase in traffic from corporate personnel both scoping out the area and flying in and out for meetings.”* – November 14, 2016

### *Wall Street Journal* – **“Reno Sees Future, and It Isn’t Casinos”**

*“Since 2011, the ‘Biggest Little City in the World’ has recruited about 100 companies to locate or expand here with more than 10,000 new jobs—many cajoled by a former West Point cadet who instilled military discipline into Reno’s economic-development office.”* – October 24, 2015

# Company Overview

## Positive Market Characteristics for the Denver Market

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*Denver Business Journal* – **“Metro Denver Unemployment Rate Drops to 2.4 Percent”**

“Metro Denver's unadjusted unemployment rate dropped to 2.4 percent in March, down from 3.6 percent one year ago.” – April 21, 2017

*US News and World Report* – **“Attracting Young, Skilled Workers Drives a State’s Economic Growth”**

“The inflow of people and companies to Denver – and, more broadly, the state of Colorado – in recent years has been a boon to the Centennial State’s economy. US News’ Best States rankings not only identified Colorado's as the **No. 1 economy in the country**. The state also ranked second in economic growth and job measures and fourth in both business innovation and overall in-migration.” – February 28, 2017

*The Denver Post* – **“Smucker’s to Build Factory in Longmont; Could Spend up to \$340 Million”**

“The company said the factory will employ about 250 employees at first, and up to 500 employees if phase two is completed.” – January 31, 2017

*Denver Business Journal* – **“Pace Quickens for Denver Home-Resale Price Gains”**

“Denver’s 8.7% growth over the year ending in November was exceeded by only two cities among the 20 large metro areas tracked by Case-Shiller: Seattle, WA and Portland, OR. Those cities and Denver have shown the highest year-over-year price increases among the 20 cities for each of the last 10 months.” – January 31, 2017



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# Atlantis Casino Resort Spa

## Property Overview

- Award-winning facility with recent awards and recognition
  - **Forbes** – Most Trustworthy Companies and America’s Best Midsize Employers
  - **USA Today Travel** - #1 casino outside Las Vegas
  - **AAA** - “Four Diamond” rating
  - **Forbes** - Four-Star Award for Spa Atlantis
    - Only venue in Northern Nevada with this rating
  - **TripAdvisor** - Consistently rated #1 Reno resort; boasts #1 and #2 Reno restaurants (Atlantis Steakhouse, Bistro Napa)
  - **U.S. News & World Report** - #1 Reno Hotel

### Casino

- ~61,000 square foot casino floor
- 1,450 slot and video poker machines and 37 tables
- Race/sports book, 24-hour live keno lounge, poker room

### Other Amenities

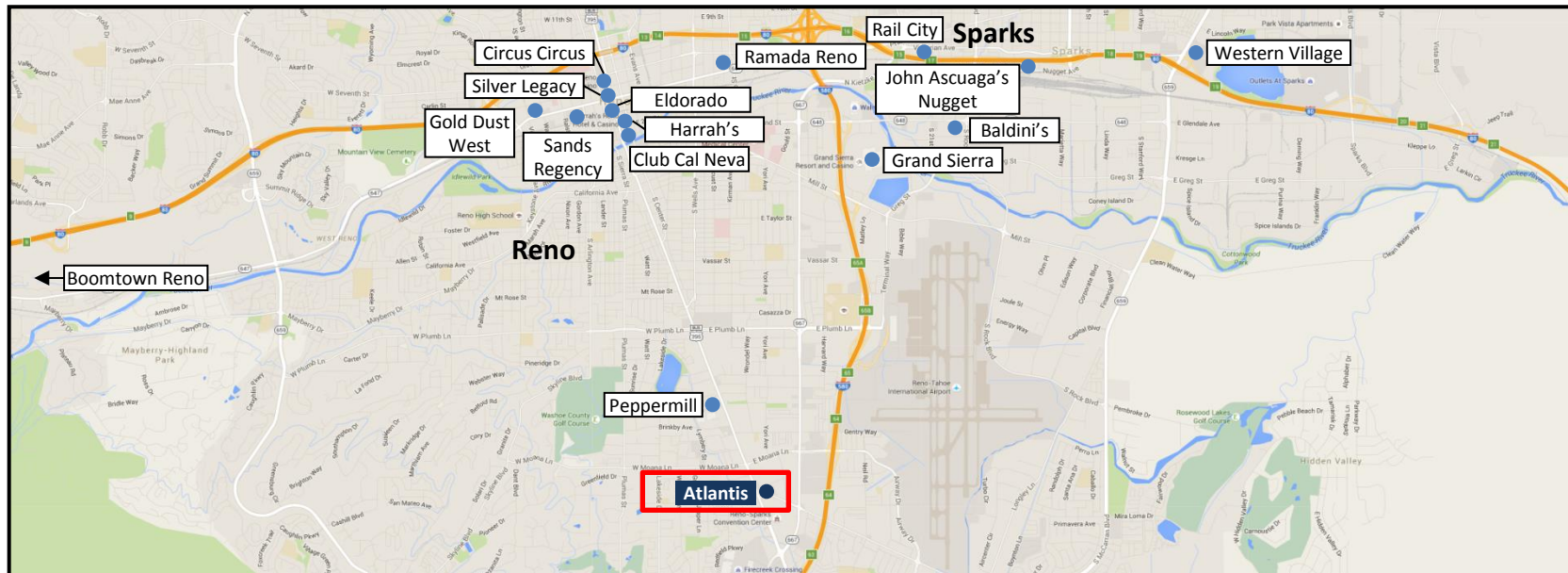
- 3 hotel towers with a total of 824 rooms and suites
- 8 restaurants, 2 coffee bars and 1 snack bar
- ~52,000 square feet of banquet, convention, meeting space



# Atlantis Casino Resort Spa

## Positioned Near More Affluent South Reno Neighborhoods

- Located ~3 miles south of downtown in the generally more affluent area of Reno and ~3 miles from Reno-Tahoe International Airport
  - ~40 acres covering both sides of South Virginia Street provides opportunity for future development
  - Close to Highway 395 entrance, the main north/south artery in Reno
  - Ideal location in the heart of south Reno's restaurant, shopping and convention district
- 500,000 square foot Reno-Sparks Convention Center located across the street from Atlantis
  - Only resort physically connected to the facility via skywalk
- 40 minute drive from Tahoe's ski resorts and minutes from area golf courses



Source: Monarch Casino & Resort analysis

## Reno Growth Drivers

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- Reno's economy historically centered on gaming and entertainment but is more recently diversifying to a broader base including the healthcare, manufacturing and technology industries as well as a variety of entrepreneurial startups
- Tesla Motors announced the construction of a \$5 billion, 10 million square foot "Gigafactory" which it expects to complete by 2018 and is now partially open
  - Tesla's facility has created a halo effect for Reno, spiking interest among other companies looking to either relocate to or establish ancillary offices in Reno
- Significant redevelopment efforts have been made to re-establish the city as a flourishing commercial, cultural and recreational hub

*"Since 2011, the 'Biggest Little City in the World' has recruited about 100 companies to locate or expand here with more than 10,000 new jobs."*

- Wall Street Journal (10/24/15)

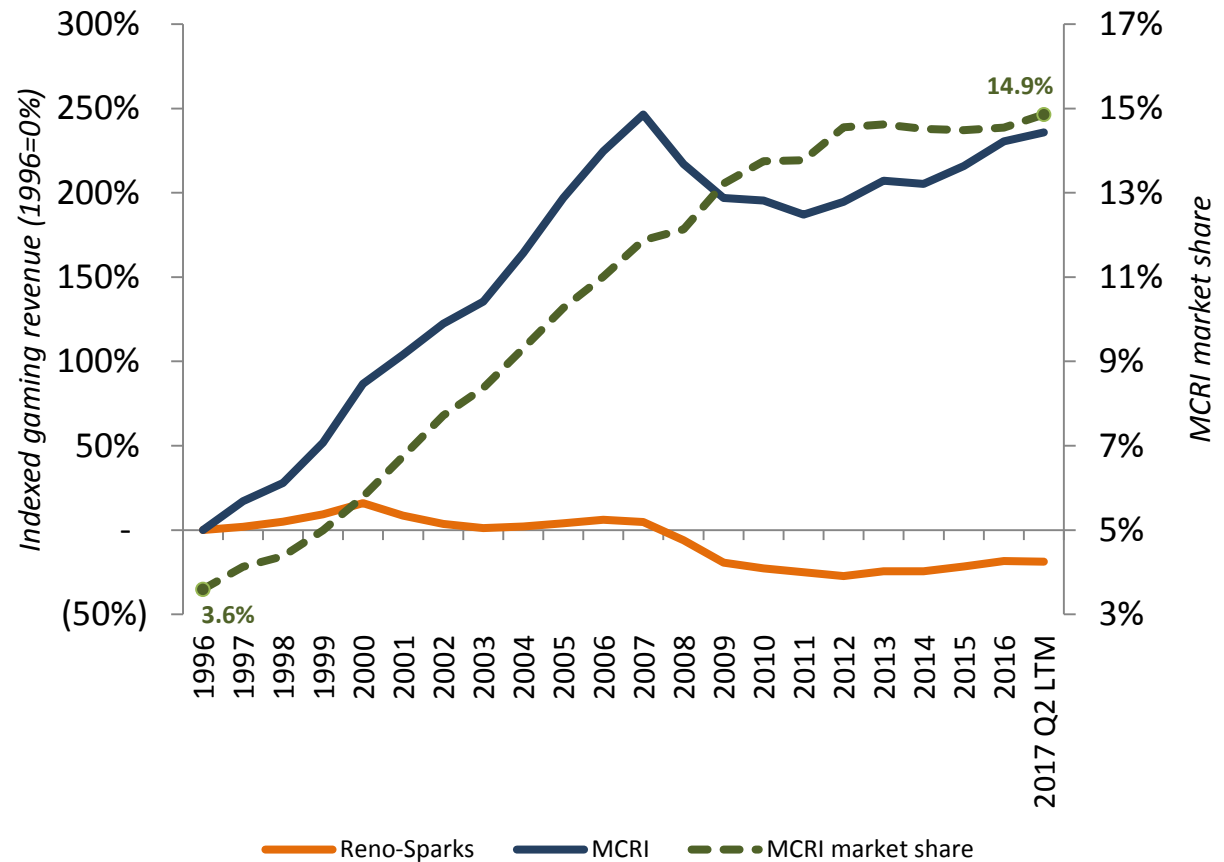
*"According to the local economic-development office, Reno has attracted about 30 advanced manufacturing companies in the past three years and is working with 20 more."*

- Departures Magazine (3/5/15)

# Atlantis Casino Resort Spa

## Atlantis Casino Market Share

- Over the last 20 years, Atlantis has continued to outperform the greater Reno-Sparks market by focusing on providing best-in-class experiences, amenities, and service
- Since the first quarter of 2013, Monarch has actively managed non-profitable “advantage players” out of the business
- Atlantis has gained market share in each of the last three quarters (Q4 2016, Q1 2017 and Q2 2017)



*Monarch has grown revenue through steady and significant market share increases, with a recent focus on profitability over market share*

Source: Monarch Casino & Resort analysis, NV Gaming Control Board

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# Monarch Casino Black Hawk

## Property Overview

- Acquired in April 2012
- Existing facility redesigned and upgraded from June 2012 to August 2015
- 1,350 space garage opened in Q4 2016
- Broke ground on hotel tower and casino expansion in February 2017

### Property Amenities

- 32,000 square foot casino with ~755 slots and 14 tables
- Buffet restaurant and snack bar
- Parking structure with ~1,350 spaces
- Currently no hotel at the property



### 2012 Acquisition Overview of Black Hawk

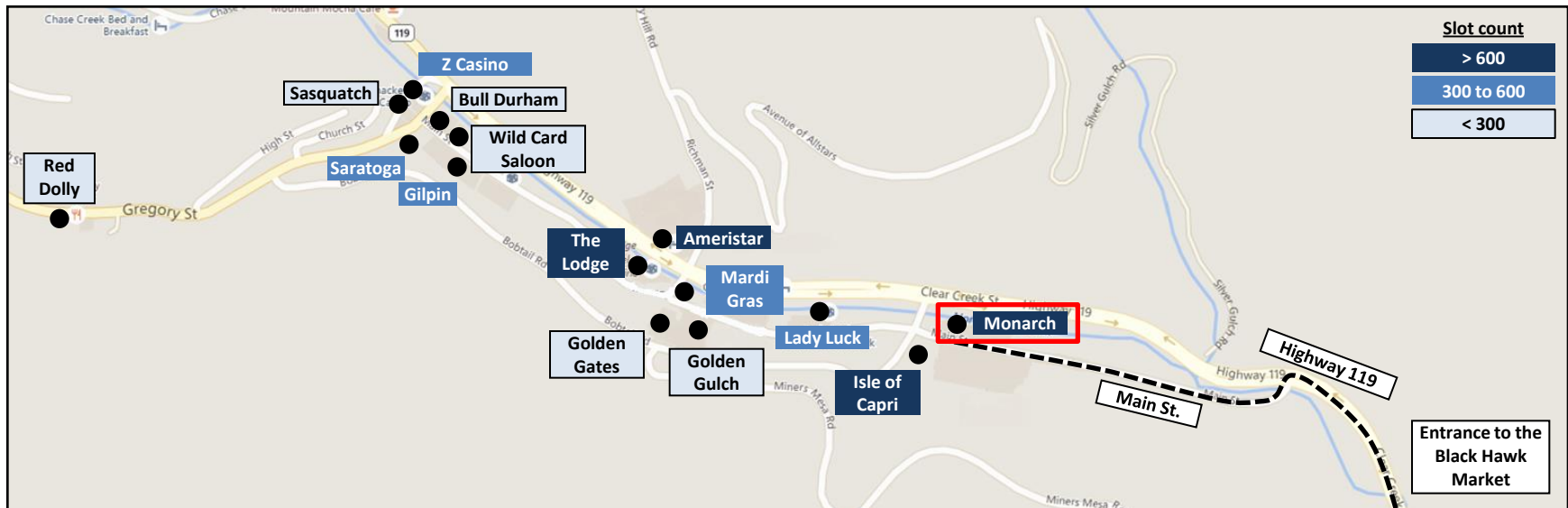
- Transaction purchase price of \$76.0 million cash (\$69.2 million net of \$2.1 million of cash and \$4.7 million of NOLs)
- LTM Adjusted EBITDA of \$10.3 million at time of announcement
- Acquired at 6.7x multiple (4.9x after first year of ownership<sup>1</sup>)
- Contiguous 1.5 acre land parcels acquired for \$10 million that received gaming zoning approval

1) Adjusted EBITDA based on LTM Adjusted EBITDA through March 31, 2013. That period includes 26 days in April 2012 prior to Monarch's April 26, 2012 acquisition.

# Monarch Casino Black Hawk

## Property Location

- Black Hawk, CO is located ~35 miles west of Denver (3.0 million people), ~35 miles southwest of Boulder, ~20 miles west of Golden and ~77 miles east of Vail
- Monarch Black Hawk is strategically located at the entrance to Main Street, Black Hawk's primary access road and casino district
- The property is the first encountered by visitors arriving from Denver and other population centers to the east
- Easily accessible location and attached parking garage provide significant advantages over many of the market's freestanding casinos given limited amount of convenient and/or covered parking in the area





# Monarch Casino Black Hawk

## Black Hawk Gaming Market

- 15 casinos
  - 7,081 slot machines
  - 151 table games
  - Only four casinos offer more than 500 slot machines
  - 988 hotel rooms spread across four gaming facilities
  
- Monarch Casino Black Hawk is the fourth largest property by slot positions

### Property Level Detail

Property	Location	Slots <sup>1</sup>	Tables <sup>1</sup>	Rooms <sup>2</sup>
Ameristar (PNK)	Black Hawk	1,188	40	536
Isle of Capri (ERI)	Black Hawk	1,011	27	238
The Lodge (JACENT)	Black Hawk	975	23	50
<b>Monarch Black Hawk</b>	<b>Black Hawk</b>	<b>755</b>	<b>14</b>	<b>-</b>
Saratoga Black Hawk	Black Hawk	458	9	-
Mardi Gras (Z Capital)	Black Hawk	447	5	-
Z Casino	Black Hawk	443	5	-
Lady Luck (ERI)	Black Hawk	422	10	164
Gilpin Casino (JACENT)	Black Hawk	361	6	-
Wild Card Saloon	Black Hawk	249	-	-
Sasquatch Casino	Black Hawk	218	-	-
Bull Durham	Black Hawk	182	-	-
Golden Gates (Z Capital)	Black Hawk	174	12	-
Red Dolly Casino	Black Hawk	128	-	-
Golden Gulch (Z Capital)	Black Hawk	70	-	-
<b>Black Hawk total</b>	<b>Black Hawk</b>	<b>7,081</b>	<b>151</b>	<b>988</b>

Source: Monarch Casino & Resort analysis, Macquarie, Colorado Department of Revenue, City of Black Hawk

1) Per Colorado Division of Gaming; table counts exclude player banked poker.

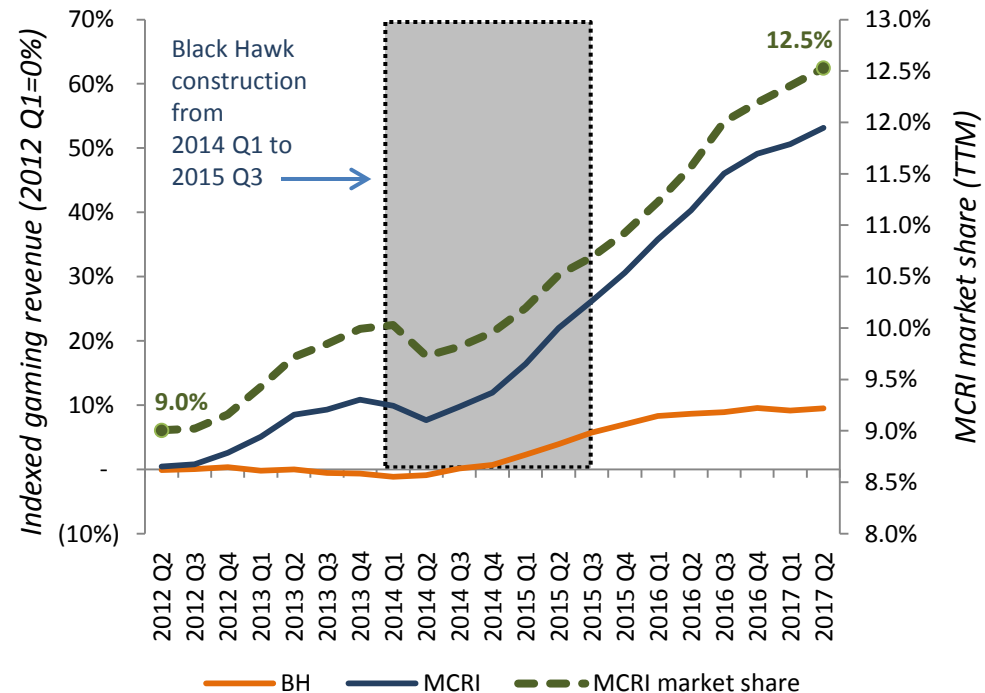
2) Per company website or hotel reservation line.

# Monarch Casino Black Hawk

## Monarch Black Hawk Market Share

- Monarch Casino Black Hawk market share has increased since the acquisition
- Market share (TTM) increased 350 bps, or 39%, from 9.0% in 1Q12 (acquired 2Q12)
- Despite significant ongoing construction disruption, Monarch Casino Black Hawk has grown market share consistently each quarter since 2Q14

**MCRI and Black Hawk Indexed Gaming Revenue Growth**



*Monarch Casino Black Hawk is proving its investment thesis even prior to the resort development, stimulating market growth and growing market share by attracting new guests to its superior product*

Source: Monarch Casino & Resort analysis, CO Division of Gaming

# Monarch Casino Black Hawk

## Rationale for Further Investment in Black Hawk

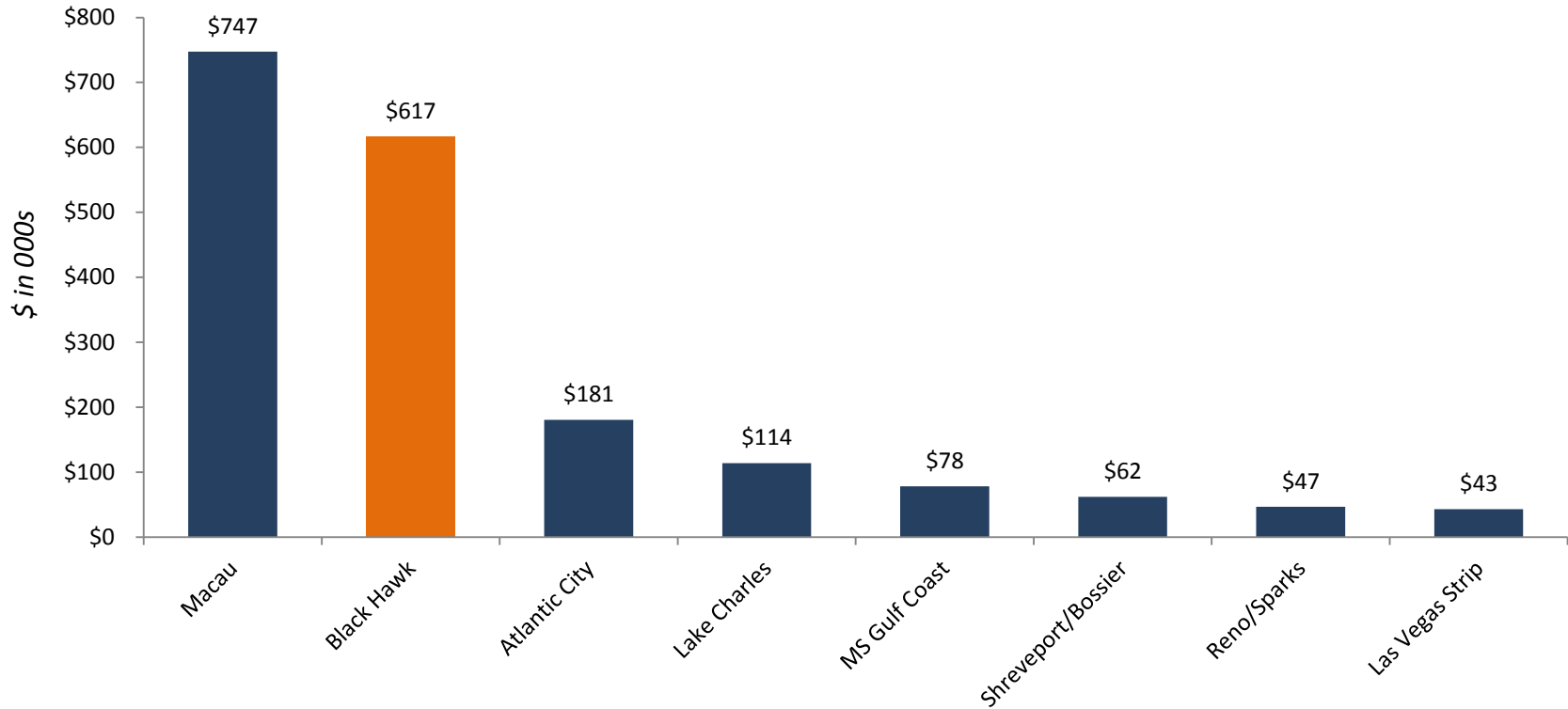
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- Denver metro area is an attractive target market
  - Population of more than 3 million
  - Household income in Denver MSA of \$71,146 is 28% above national average
  - Top 20% of personal income growth among all MSAs in nation
  - Third largest supplier of air traffic to Las Vegas (originating passengers only), indicating potential to attract a portion of travelers to a well-appointed resort in Black Hawk
- Black Hawk significantly underserved by quality casino product and hotel rooms
  - Only true “resort quality” product in the market today is Ameristar
  - Reno, with more than 15,000 hotel rooms, has more than 15 times Black Hawk’s room inventory but generates about the same amount of gaming revenue as Black Hawk
  - Adding quality room product expected to grow market and generate attractive return
- Significant barriers to entry limit the threat of potential new competition
  - Scarcity of available and developable land in Black Hawk
  - Commercial gaming in Colorado is restricted to three mountain towns
- Relatively moderate gaming tax rate capped at 20%
  - Increases to tax rate require state-wide voter approval

# Monarch Casino Black Hawk

## GGR per Hotel Room by Region

### 2016 Gross Gaming Revenue per Hotel Room

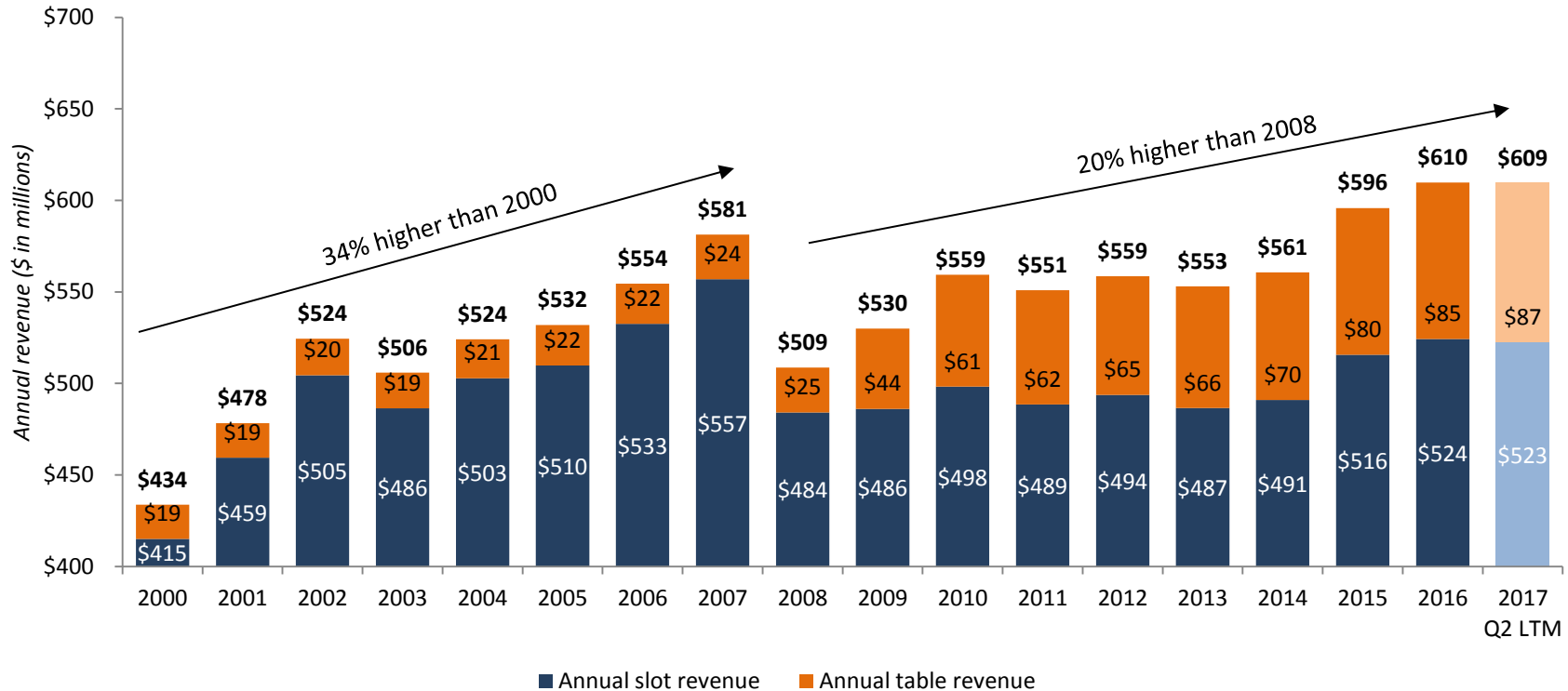


*Black Hawk has the highest GGR per hotel room nationwide at \$617K, and is second only to Macau GGR per hotel room worldwide*

# Monarch Casino Black Hawk

## Black Hawk Total Gaming Revenue

### Black Hawk Market Performance



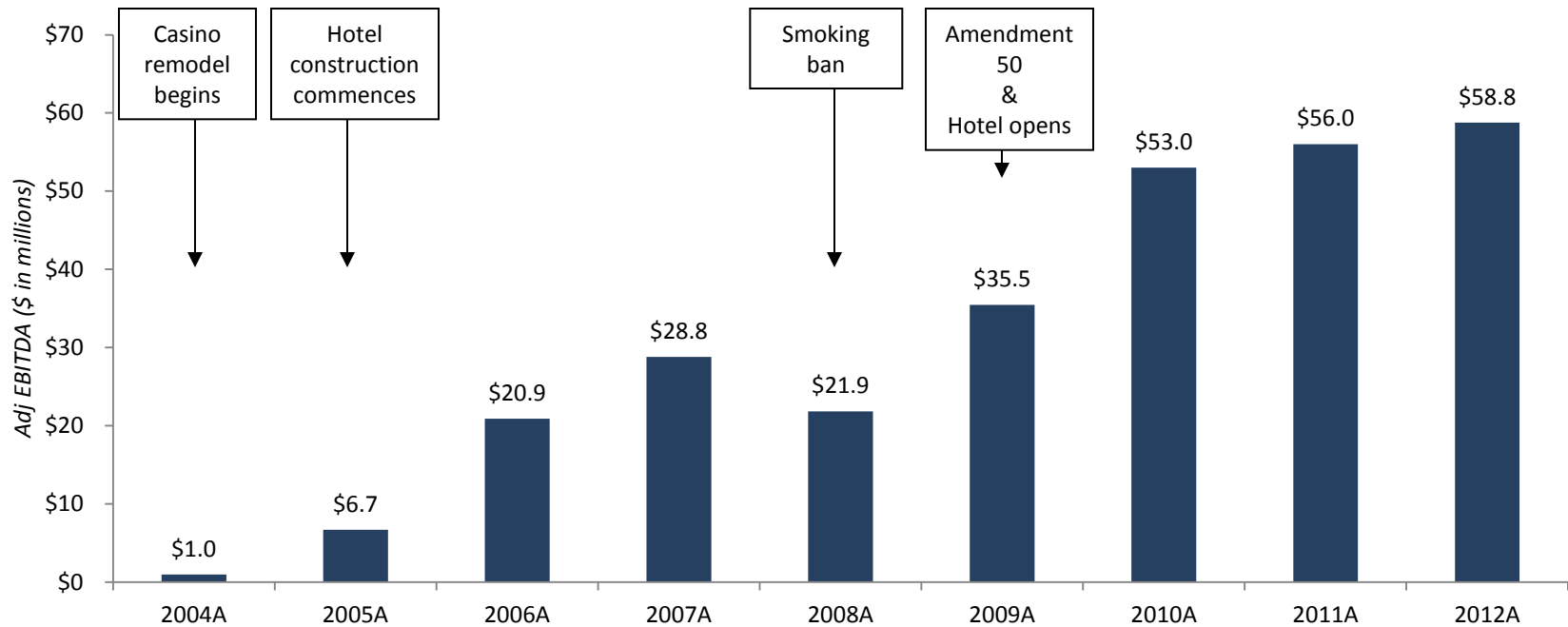
*Although impacted by the 2008 smoking ban and the recession, Black Hawk revenues have proven resilient*

Source: Monarch Casino & Resort analysis, Colorado Department of Revenue

# Monarch Casino Black Hawk

## Ameristar Black Hawk Case Study

### Annual Adjusted EBITDA and Capital Spend for Ameristar Black Hawk<sup>1</sup>



Purchase price	\$117.8
Capex <sup>2</sup>	57.2    48.3    29.1    102.5    74.7    1.6
Cumulative spend	\$117.8    \$175.0    \$223.3    \$252.4    \$354.9    \$429.6    \$431.2

**Ameristar grew adjusted EBITDA from \$7mm to \$59mm EBITDA (last publicly reported number) driven by \$431mm of investment (\$118mm purchase price and \$313 capex, of which \$233mm was the hotel)**

Source: Monarch Casino & Resort analysis, company filings

- 1) 2012 is the last calendar year available for Ameristar Black Hawk specifically due to the merger with PNK.
- 2) Capex numbers are from Ameristar's SEC filings.

# Monarch Casino Black Hawk

## Existing Facility Upgrade

Original Cabaret Stage



Phase 1



Phase 2



Phase 3



# Monarch Casino Black Hawk

## New Parking Structure and Hotel Tower/Casino Expansion

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### New Parking Structure

- 9-story garage now open
- Increases on-site parking from ~500 spaces to ~1,500 spaces

### Hotel Tower/Casino Expansion

- Groundbreaking held in February 2017
- Project to include:
  - 23-story tower with approximately 500 hotel rooms
  - Nearly double the existing casino space
  - World-class spa and pool facility on the top floor of hotel tower
  - Three additional restaurants and additional bars
- Total cost of approximately \$229-\$234 million
  - Cost expected to be financed through a combination of cash flow from operations and existing credit facility



# Monarch Casino Black Hawk

## New Parking Structure and Hotel Tower/Casino Expansion

New Parking Structure



Hotel Tower/Casino Expansion: Current Progress



Current Facility



Expansion Rendering



# Monarch Casino Black Hawk

## New Parking Structure and Hotel Tower/Casino Expansion

South View Rendering



Exterior Pool Rendering



Interior Pool Rendering



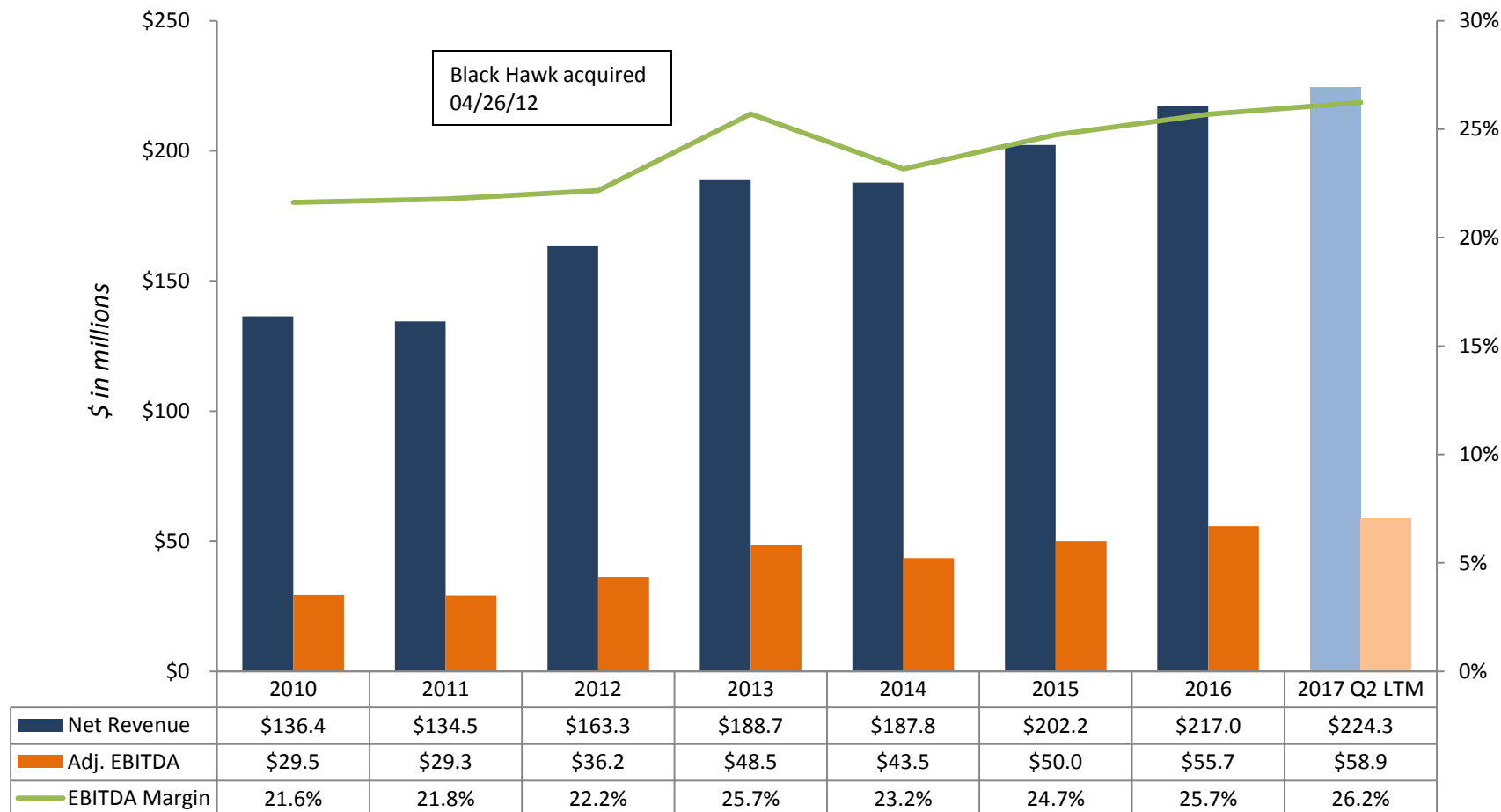
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# Monarch Consolidated Results

## Income Statement



**Q2 2017 LTM net revenue is 7.1% higher and adjusted EBITDA is 14.3% higher than Q2 2016 LTM**

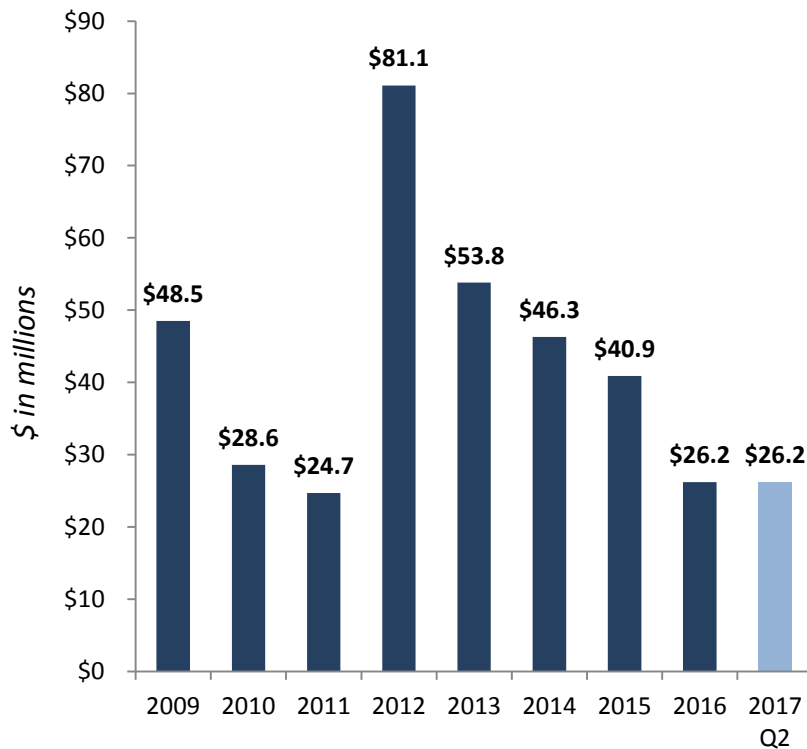
Source: Monarch Casino & Resort analysis

- 1) Adjusted for stock option expense and one-time charges.
- 2) 2016 Adjusted EBITDA includes \$1.6 million in one-time expenses related to Atlantis' buffet remodeling project.

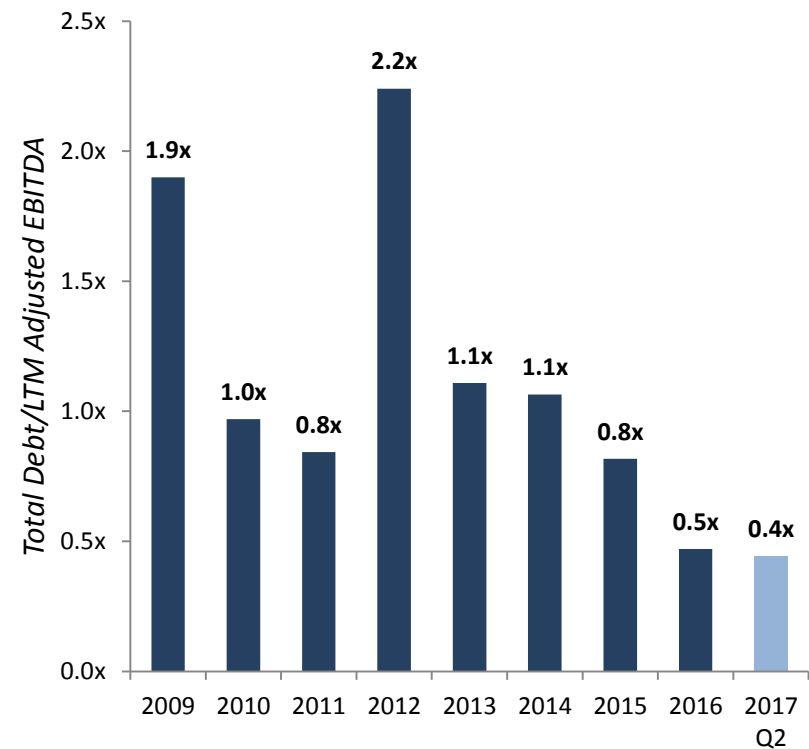
# Monarch Consolidated Results

## Strong Balance Sheet Position

### Total Debt



### Leverage Ratio



*Leverage remains a low 0.4x*

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# Conclusion

## Summary

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- **Optimally positioned in two of the most robust macro economic markets in the country**
- Monarch has upgraded and expanded Atlantis through more than \$95 million of investment over the last few years
  - Property requires minimal forward maintenance capex
- Strong Black Hawk results despite construction disruption
  - Market share has improved 39% from 9.0% to 12.5% since acquisition
- Solid, conservative balance sheet with 0.4x leverage
  - Black Hawk expansion to be fully funded by syndicated bank facility
- **Monarch expects to grow shareholder value by capturing a disproportionate share of Reno growth and converting Monarch Black Hawk into a full-scale casino resort**