LANDandBUILDINGS

Land and Buildings Comments on MGM Growth Properties IPO and MGM Resorts

- Believes MGM Growth Properties IPO is fairly valued at $19.50 per share IPO midpoint – reflecting superior financial and asset quality, but offset by inferior governance to peer GLPI –

- IPO highlights valuation of MGM Resorts of $30-35 per share, or 45% upside –

- Fundamentals and margin enhancement opportunities should largely accrue to MGM Resorts' shareholders –

- Land and Buildings believes MGM has taken a half-step to unlock value and should have gone further by including all properties in the REIT –

Stamford, CT (April 12, 2016) – Land and Buildings Investment Management, LLC ("Land and Buildings"), a shareholder of MGM Resorts International (NYSE: MGM) ("MGM" or the "Company") today issued the following letter to the shareholders of MGM and prospective shareholders of MGM Growth Properties LLC (NYSE: MGP) ("MGM REIT"):

Dear Fellow MGM Shareholders and Prospective MGM Growth Properties Shareholders,

The IPO of MGM Resort's REIT, MGM Growth Properties (NYSE: MGP), is expected according to public filings to price on April 19th after the close of the market, raising gross proceeds of about $1 billion at the midpoint of the $18 to $21 per share range. The $19.50 per share midpoint for MGM REIT IPO is used in discussion below.

From a strictly financial perspective, we believe the MGM REIT is superior to its peer Gaming and Leisure Properties (NYSE: GLPI). MGM REIT rent is guaranteed by MGM Resorts, and as such the EBITDAR rent coverage ratio is vastly superior at 3.7x versus GLPI at 1.8x. Further, MGM REIT offers a higher dividend yield of 7.3% versus 7.1% for GLPI. On an EBITDA multiple basis, MGM REIT will trade around 13x, in-line with GLPI. Debt levels of both companies are comparable at approximately 6x debt to EBITDA. Rent growth is likely superior to GLPI as MGM REIT is guaranteed a 2% rent increase for the first six years while GLPI's 2% rent increases are subject to achieving a minimum level of rent coverage.

Additionally, MGM REIT's properties are better assets in better markets, and also benefit from MGM's M life rewards program. In 2015, the properties on the Las Vegas strip, which account for 70% of EBITDA saw EBITDA increase 15% in a market which has seen no new supply and is enjoying double the RevPAR growth of the lodging industry nationwide. The MGM REIT's regional assets generated 13% EBITDA growth in 2015 and trends in gaming fundamentals continue to be strong and improving.

However, from a corporate governance perspective we believe MGM REIT is inferior to GLPI and problematic on numerous levels. MGM REIT is a controlled company held by MGM Resorts. MGM REIT is a "trust me" story – Investors in MGM REIT must rely on MGM Resorts' management and directors, who have seats on both the board of MGM Resorts and MGM REIT, to make the best decisions for all MGM REIT investors. MGM will own 76% of the MGM REIT through the operating partnership while MGM REIT Investors will own 24%. Further, MGM Resorts will own one Class B share that affords them a majority vote and will remain in effect until MGM Resorts' economic interest, which will be 76% at the IPO, falls below 30%.

While a conflicts committee has been established and populated with independent board members, the governance of the committee appears to lack teeth. For example, MGM REIT could, in our view, buy assets from MGM Resorts on a non-arm's length basis at prices that are above market. Partially offsetting the poor corporate governance is the fact that MGM Resorts is on the hook for the rent, so if they steer customers to wholly owned assets – to the disadvantage of MGM REIT's properties – they still have to pay the rent. Also mitigating potential conflicts is that Dan Taylor, who is a board representative of MGM founder Kirk Kerkorian's Tracinda Corp., oversees a significant economic stake in both MGM Resorts and MGM REIT through Tracinda's 16% stake in MGM Resorts.

Most problematic in the lease structure between MGM Resorts and MGM REIT is that MGM Resorts is required to invest 1% of revenue in the REITs properties as recurring, non-revenue enhancing capital expenditures, or $40 million per year. The prospectus states that MGM has invested $924 million into MGM REIT's assets since 2010, or about $185 million per year or 4.3% of 2015 revenues. The risk for MGM REIT investors is that if MGM Resorts under-invests in the assets, when the lease matures in 10 years, MGM Resorts refuses to renew the lease on the same terms, or requires MGM REIT to make a major investment in the properties to induce them to renew. It is likely that part of the over $900 million of capital expenditures was invested on a revenue enhancing basis, however, a minimum of 1% of revenues being reinvested into the assets annually by MGM Resorts seems too low and should be higher.

For MGM Resorts investors, MGM REIT's IPO should demonstrate and unlock the value of MGM's real estate. MGM Resorts trades at 9x EBITDA and MGM REIT is expected to trade at 13x. If a 13x multiple was assigned to all of MGM Resorts' properties and a 9x to the operating business, a value for MGM of approximately $30 per share would be apparent (assuming $2.2 billion in 2017 combined EBITDA excluding Macau).

The assets that will remain wholly-owned by MGM Resorts are of higher quality and have higher growth potential over time and hence likely warrant an even higher multiple than the assets being contributed to MGM REIT. Further, given the superior growth of MGM Resorts as a result of separating the real estate from the operating business should be awarded a higher multiple over time. Assigning a 12x multiple to the operating business of MGM Resorts and 14x to the real estate would equate to a value of approximately $35 per share. A 12x multiple for MGM Resorts' operating business would be a 2x multiple discount to the 14x multiple Marriott International (NYSE: MAR) is paying approximately for Starwood Hotels & Resorts (NYSE: HOT).

MGM Resort's cash flows are poised to grow even faster following the MGM REIT IPO, as the vast majority of the EBITDA growth will accrue to MGM Resorts shareholders. EBITDA growth as a result of the $300 million Profit Growth plan, which will largely show up in 2016 and 2017 results, will accrue to MGM Resorts as the only increase in cash flow to benefit MGM REIT shareholders will be the 2% annual rent bump. Further benefitting MGM Resorts shareholders is likely strong EBITDA growth as a result of robust Las Vegas fundamentals, with management guiding to 6% RevPAR growth in 2016. This year is off to a strong start with the Las Vegas market experiencing over 8% RevPAR growth in the first two months of the year. For MGM REIT, rent coverage should improve markedly due to robust Las Vegas fundamentals, the Profit Growth Plan and the opening of two new assets in the U.S. and one in Macau in the coming years.

MGM Resorts' Chairman and CEO Jim Murren has taken a half-step to unlock the value of MGM, which is better than no step at all. However, it is perplexing why he would not go all the way and decisively unlock the inherent value in MGM Resorts. In our view, full value can be unlocked by including all the properties in the REIT and eliminating any overlap on the board or management team of MGM Resorts and MGM REIT. Hilton Hotels and Resorts (NYSE: HLT) has disclosed plans to separate its real estate from its operating business that appears to do just that, creating separate companies with separate boards of directors.

Sincerely,

Jonathan Litt

Founder & CIO

Land and Buildings Investment Management, LLC

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About Land and Buildings:

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

Media Contact:
Elliot Sloane / Dan Zacchei
Sloane & Company
212-486-9500
Esloane@sloanepr.com or

Dzacchei@sloanepr.com