

GAMING & LEISURE PROPERTIES, INC.

FORM 8-K (Current report filing)

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Address	845 BERKSHIRE BLVD, SUITE 200 WYOMISSING, PA, 19610
Telephone	610-401-2900
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Industry	Specialized REITs
Sector	Financials
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): October 26, 2017

GAMING AND LEISURE PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or Other Jurisdiction of
Incorporation or Organization)

001-36124

(Commission file number)

46-2116489

(IRS Employer Identification Number)

845 Berkshire Blvd., Suite 200

Wyomissing, PA 19610

(Address of principal executive offices)

610-401-2900

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On October 26, 2017, Gaming and Leisure Properties, Inc. issued a press release announcing its financial results for the three and nine months ended September 30, 2017. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in this Current Report on Form 8-K, including Exhibit 99.1, is being furnished pursuant to Item 2.02 and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. The information contained in this Current Report on Form 8-K, including Exhibit 99.1, that is being furnished under this Item 2.02 shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

Exhibit Number	Description
99.1	Gaming and Leisure Properties, Inc. Earnings Press Release, dated October 26, 2017

* * *

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: October 26, 2017

GAMING AND LEISURE PROPERTIES, INC.

By: /s/ William J. Clifford
Name: William J. Clifford
Title: Chief Financial Officer



GAMING AND LEISURE PROPERTIES, INC. ANNOUNCES THIRD QUARTER 2017 RESULTS

**- Establishes 2017 Fourth Quarter Guidance and Revises Full Year Guidance -
- Declares 2017 Fourth Quarter Dividend of \$0.63 per Common Share -**

WYOMISSING, PA. — October 26, 2017 — Gaming and Leisure Properties, Inc. (NASDAQ: GLPI) (the “Company”), the first gaming-focused real estate investment trust (“REIT”) in North America, today announced results for the quarter ended September 30, 2017 .

Financial Highlights

(in millions, except per share data)	Three Months Ended September 30,		
	2017 Actual	2017 Guidance ⁽¹⁾	2016 Actual
Net Revenue	\$ 244.5	\$ 243.5	\$ 233.3
Net Income	\$ 97.0	\$ 95.9	\$ 89.6
Funds From Operations ⁽²⁾	\$ 122.7	\$ 121.2	\$ 113.0
Adjusted Funds From Operations ⁽³⁾	\$ 170.5	\$ 168.6	\$ 158.6
Adjusted EBITDA ⁽⁴⁾	\$ 223.4	\$ 221.8	\$ 209.5
Net income, per diluted common share	\$ 0.45	\$ 0.45	\$ 0.43

⁽¹⁾ The guidance figures in the tables above present the guidance provided on July 27, 2017 , for the three months ended September 30, 2017 .

⁽²⁾ Funds from operations (“FFO”) is net income, excluding (gains) or losses from sales of property and real estate depreciation as defined by NAREIT.

⁽³⁾ Adjusted funds from operations (“AFFO”) is FFO, excluding stock based compensation expense, debt issuance costs amortization, other depreciation, amortization of land rights, straight-line rent adjustments and direct financing lease adjustments, reduced by capital maintenance expenditures.

⁽⁴⁾ Adjusted EBITDA is net income excluding interest, taxes on income, depreciation, (gains) or losses from sales of property, stock based compensation expense, straight-line rent adjustments, direct financing lease adjustments and the amortization of land rights.

Chief Executive Officer, Peter M. Carlino, commented, “The Company’s results in the third quarter once again demonstrate the stable and highly predictable cash flow we generate for our shareholders. Our modest out-performance to guidance is the result of solid results at our managed TRS properties and at Penn National Gaming Inc.’s (NASDAQ: PENN) variable rent properties in Toledo and Columbus, Ohio. Reflecting healthy regional gaming trends, our guidance for the fourth quarter now includes an annualized rent escalator from PENN of \$4.0 million. During the calendar year 2017, we earned full escalators for Pinnacle Entertainment, Inc. (NASDAQ: PNK), Casino Queen and the Meadows Racetrack and Casino, while PENN is expected to earn approximately 75% of the full escalator, representing \$10.6 million annually in the aggregate.”

Mr. Carlino continued, “During the quarter, we made principle payments of \$75 million on our long-term debt, which results in a total long-term debt to projected 2017 Adjusted EBITDA ratio of under 5.1 times. As such, the Company is well positioned to pursue accretive growth opportunities and effectively refinance upcoming 2018 debt maturities.”

The Company's third quarter net income, AFFO and Adjusted EBITDA as compared to guidance were primarily impacted by the following:

- Income from rental activities had a favorable variance of \$0.4 million, primarily due to out-performance at PENN's variable rent properties in Ohio;
- Results from the TRS Properties had a favorable variance of \$0.6 million due to out-performance at both properties;
- Corporate overhead had a favorable variance of \$0.4 million, primarily related to lower than anticipated legal expense;
- Loss from dispositions of property had an unfavorable variance of \$0.4 million primarily due to the sale of unused property at Hollywood Casino Baton Rouge; and
- Capital maintenance expenditures had a favorable variance of \$0.4 million due to the timing of expenditures at the TRS properties.

Portfolio Update

GLPI owns over 4,400 acres of land and approximately 15 million square feet of building space, which was 100% occupied as of September 30, 2017. At the end of the third quarter of 2017, the Company owned the real estate associated with 38 casino facilities and leases 20 of these facilities to PENN, 15 of these facilities to PNK and one to Casino Queen in East St. Louis, Illinois. Two of the gaming facilities, located in Baton Rouge, Louisiana and Perryville, Maryland, are owned and operated by a subsidiary of GLPI, GLP Holdings, Inc., (collectively, the "TRS Properties").

Capital maintenance expenditures at the TRS Properties were \$ 0.5 million for the three months ended September 30, 2017.

Balance Sheet Update

The Company had \$43.6 million of unrestricted cash and \$4.4 billion in total debt, including \$1.1 billion of debt outstanding under its unsecured credit facility term loans and no outstanding balance under its unsecured credit facility revolver at September 30, 2017. The Company's debt structure as of September 30, 2017 was as follows:

	As of September 30, 2017	
	Interest Rate	Balance
		(in thousands)
Unsecured Term Loan A ⁽¹⁾	2.987%	\$ 240,000
Unsecured Term Loan A-1 ⁽¹⁾	2.985%	825,000
Senior Unsecured Notes Due 2018	4.375%	550,000
Senior Unsecured Notes Due 2020	4.875%	1,000,000
Senior Unsecured Notes Due 2021	4.375%	400,000
Senior Unsecured Notes Due 2023	5.375%	500,000
Senior Unsecured Notes Due 2026	5.375%	975,000
Capital Lease	4.780%	1,258
Total long-term debt		\$ 4,491,258
Less: unamortized debt issuance costs		(41,606)
Total long-term debt, net of unamortized debt issuance costs		\$ 4,449,652

⁽¹⁾ The rate on the term loan facilities and revolver is Libor plus 1.75%. The Company's revolver and \$300.0 million term loan credit facility mature on October 28, 2018 and the incremental term loan of \$825.0 million matures on April 28, 2021.

As of September 30, 2017, the Company had 212,097,244 weighted average diluted shares outstanding.

Dividends

On July 25, 2017, the Company's Board of Directors declared the third quarter 2017 dividend. Shareholders of record on September 8, 2017 received \$0.63 per common share, which was paid on September 22, 2017. On October 19, 2017, the

Company declared its fourth quarter 2017 dividend of \$0.63 per common share, payable on December 15, 2017 to shareholders of record on December 1, 2017 .

Guidance

The table below sets forth current guidance targets for financial results for the 2017 fourth quarter and full year, based on the following assumptions:

- Reported rental income of approximately \$830.6 million for the year and \$209.3 million for the fourth quarter, consisting of:

(in millions)	Fourth Quarter	Full Year
<u>Cash Rental Receipts</u>		
PENN	\$ 114.3	\$ 455.2
PNK	102.9	406.4
Casino Queen	3.6	14.4
PENN non-assigned land lease	(0.7)	(2.9)
Total Cash Rental Receipts	\$ 220.1	\$ 873.1
<u>Non-Cash Adjustments</u>		
Straight-line rent	\$ (16.6)	\$ (66.0)
PNK direct financing lease	(18.6)	(73.1)
Property taxes paid by tenants	21.4	85.4
Land leases paid by tenants	3.0	11.2
Total Rent as Reported	\$ 209.3	\$ 830.6

- Cash rent includes incremental escalator on the PENN building rent component effective November 1, 2017, which increases 2017 annual rent by \$0.7 million;
- Cash rent includes incremental escalator on the PNK building rent component effective April 28, 2017, which increases 2017 annual rent by \$3.9 million;
- Adjusted EBITDA from the TRS Properties of approximately \$38.3 million for the year and \$8.1 million for the fourth quarter;
- Blended income tax rate at the TRS Properties of 44%;
- LIBOR is based on the forward yield curve;
- For the purpose of the dividend calculation, AFFO is reduced by approximately \$3.2 million for the full year and \$0.4 million for the fourth quarter prior to calculation of the dividend to account for dividends on shares that will be outstanding after options held by employees are exercised; and
- The basic share count is approximately 210.8 million shares for the year and 212.9 million shares for the fourth quarter and the fully diluted share count is approximately 212.7 million shares for the year and 214.9 million shares for the fourth quarter.

(in millions, except per share data)	Three Months Ended December 31,		Full Year Ending December 31,		
	2017 Guidance	2016 Actual	Revised 2017 Guidance	Prior 2017 Guidance ⁽⁴⁾	2016 Actual
Net Revenue	\$ 242.6	\$ 238.8	\$ 973.2	\$ 971.5	\$ 828.3
Net Income	\$ 96.2	\$ 93.7	\$ 383.6	\$ 381.4	\$ 289.3
Losses or (gains) from dispositions of property	—	—	0.5	0.1	(0.5)
Real estate depreciation	25.3	24.9	100.6	100.6	96.1
Funds From Operations ⁽¹⁾	\$ 121.5	\$ 118.6	\$ 484.7	\$ 482.1	\$ 384.9
Straight-line rent adjustments	16.6	16.2	66.0	66.0	58.7
Direct financing lease adjustments	18.6	18.0	73.1	73.1	48.5
Other depreciation	3.0	3.4	13.0	13.0	13.5
Amortization of land rights	2.7	2.3	10.3	10.3	6.2
Debt issuance costs amortization	3.3	3.3	13.0	13.0	15.1
Stock based compensation	3.7	4.5	15.6	15.6	18.3
Maintenance CAPEX	(1.4)	(1.4)	(3.6)	(3.6)	(3.1)
Adjusted Funds From Operations ⁽²⁾	\$ 168.0	\$ 164.9	\$ 672.1	\$ 669.5	\$ 542.1
Interest, net	54.0	53.2	215.7	215.6	183.8
Income tax expense	1.5	2.0	7.9	7.9	7.5
Maintenance CAPEX	1.4	1.4	3.6	3.6	3.1
Debt issuance costs amortization	(3.3)	(3.3)	(13.0)	(13.0)	(15.1)
Adjusted EBITDA ⁽³⁾	\$ 221.6	\$ 218.2	\$ 886.3	\$ 883.6	\$ 721.4
Net income, per diluted common share	\$ 0.45	\$ 0.45	\$ 1.80	\$ 1.79	\$ 1.60

⁽¹⁾ FFO is net income, excluding (gains) or losses from sales of property and real estate depreciation as defined by NAREIT.

⁽²⁾ AFFO is FFO, excluding stock based compensation expense, debt issuance costs amortization, other depreciation, amortization of land rights, straight-line rent adjustments and direct financing lease adjustments, reduced by capital maintenance expenditures.

⁽³⁾ Adjusted EBITDA is net income excluding interest, taxes on income, depreciation, (gains) or losses from sales of property, stock based compensation expense, straight-line rent adjustments, direct financing lease adjustments and the amortization of land rights.

⁽⁴⁾ The guidance figures in the tables above present the guidance provided on July 27, 2017, for the year ended December 31, 2017.

Conference Call Details

The Company will hold a conference call on October 26, 2017 at 11:00 a.m. (Eastern Time) to discuss its financial results, current business trends and market conditions.

Webcast

The conference call will be available in the Investor Relations section of the Company's website at www.glpropinc.com. To listen to a live broadcast, go to the site at least 15 minutes prior to the scheduled start time in order to register, download and install any necessary audio software. A replay of the call will also be available for 90 days on the Company's website.

To Participate in the Telephone Conference Call:

Dial in at least five minutes prior to start time.

Domestic: 1-877-407-0784

International: 1-201-689-8560

Conference Call Playback :

Domestic: 1-844-512-2921

International: 1-412-317-6671

Passcode: 13671617

The playback can be accessed through November 2, 2017.

Disclosure Regarding Non-GAAP Financial Measures

Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO") and Adjusted EBITDA, which are detailed in the reconciliation tables that accompany this release, are used by the Company as performance measures for benchmarking against the Company's peers and as internal measures of business operating performance, which is used for a bonus metric. The Company believes FFO, AFFO, and Adjusted EBITDA provide a meaningful perspective of the underlying operating performance of the Company's current business. This is especially true since these measures exclude real estate depreciation, and we believe that real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. In addition, in order for the Company to qualify as a REIT, it must distribute 90% of its REIT taxable income annually. The Company adjusts AFFO accordingly to provide our investors an estimate of taxable income for this distribution requirement. Direct financing lease adjustments represent the portion of cash rent we receive from tenants that is applied against our lease receivable and thus not recorded as revenue and the amortization of land rights represents the non-cash amortization of the value assigned to the Company's assumed ground leases.

FFO, AFFO and Adjusted EBITDA are non-GAAP financial measures, that are considered a supplemental measure for the real estate industry and a supplement to GAAP measures. NAREIT defines FFO as net income (computed in accordance with generally accepted accounting principles), excluding (gains) or losses from sales of property and real estate depreciation. We have defined AFFO as FFO excluding stock based compensation expense, debt issuance costs amortization, other depreciation, amortization of land rights, straight-line rent adjustments and direct financing lease adjustments, reduced by capital maintenance expenditures. Finally, we have defined Adjusted EBITDA as net income excluding interest, taxes on income, depreciation, (gains) or losses from sales of property, stock based compensation expense, straight-line rent adjustments, direct financing lease adjustments and the amortization of land rights.

FFO, AFFO and Adjusted EBITDA are not recognized terms under GAAP. Because certain companies do not calculate FFO, AFFO, and Adjusted EBITDA in the same way and certain other companies may not perform such calculation, those measures as used by other companies may not be consistent with the way the Company calculates such measures and should not be considered as alternative measures of operating profit or net income. The Company's presentation of these measures does not replace the presentation of the Company's financial results in accordance with GAAP.

About Gaming and Leisure Properties

GLPI is engaged in the business of acquiring, financing, and owning real estate property to be leased to gaming operators in triple-net lease arrangements, pursuant to which the tenant is responsible for all facility maintenance, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. GLPI expects to grow its portfolio by pursuing opportunities to acquire additional gaming

facilities to lease to gaming operators. GLPI also intends to diversify its portfolio over time, including by acquiring properties outside the gaming industry to lease to third parties. GLPI elected to be taxed as a REIT for United States federal income tax purposes commencing with the 2014 taxable year and is the first gaming-focused REIT in North America.

Forward-Looking Statements

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our financial outlook for the fourth quarter of 2017 and the full 2017 fiscal year and our expectations regarding future acquisitions, refinancing of indebtedness and dividend payments. Forward looking statements can be identified by the use of forward looking terminology such as “expects,” “believes,” “estimates,” “intends,” “may,” “will,” “should” or “anticipates” or the negative or other variation of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Such forward looking statements are inherently subject to risks, uncertainties and assumptions about GLPI and its subsidiaries, including risks related to the following: the availability of and the ability to identify suitable and attractive acquisition and development opportunities and the ability to acquire and lease those properties on favorable terms; the ability to receive, or delays in obtaining, the regulatory approvals required to own and/or operate its properties, or other delays or impediments to completing GLPI’s planned acquisitions or projects; GLPI’s ability to maintain its status as a REIT; our ability to access capital through debt and equity markets in amounts and at rates and costs acceptable to GLPI, including through GLPI’s existing ATM program; changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs or to the gaming or lodging industries; and other factors described in GLPI’s Annual Report on Form 10-K for the year ended December 31, 2016, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, each as filed with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements attributable to GLPI or persons acting on GLPI’s behalf are expressly qualified in their entirety by the cautionary statements included in this press release. GLPI undertakes no obligation to publicly update or revise any forward-looking statements contained or incorporated by reference herein, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward looking events discussed in this press release may not occur.

Additional Information

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended. In connection with the establishment of its ATM Program, the Company filed with the SEC a prospectus supplement dated August 9, 2016 to the prospectus contained in its effective Registration Statement on Form S-3 (No. 333-210423), filed with the SEC on March 28, 2016. This communication is not a substitute for the filed Registration Statement/prospectus or any other document that the Company may file with the SEC or send to its shareholders in connection with the proposed transactions. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND PROSPECTUS THAT HAVE BEEN FILED WITH THE SEC AND OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN, OR WILL CONTAIN, IMPORTANT INFORMATION. You may obtain free copies of the registration statement/prospectus and other relevant documents filed by the Company with the SEC at the SEC’s website at www.sec.gov. Copies of the documents filed with the SEC by the Company are available free of charge on the Company’s investor relations website at investors.glpropinc.com or by contacting the Company’s investor relations representative at (203) 682-8211.

Contact

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GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except per share data) (unaudited)

	Three Months Ended September 30,		Nine Months Ended 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 from operations 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

GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES
Operations
(in thousands) (unaudited)

	NET REVENUES		ADJUSTED EBITDA	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Real estate	\$ 209,489	\$ 199,257	\$ 214,204	\$ 201,600
GLP Holdings, LLC. (TRS)	35,017	34,018	9,201	7,899
Total	\$ 244,506	\$ 233,275	\$ 223,405	\$ 209,499

	NET REVENUES		ADJUSTED EBITDA	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Real estate	\$ 621,313	\$ 481,704	\$ 634,428	\$ 475,466
GLP Holdings, LLC. (TRS)	109,297	107,752	30,192	27,715
Total	\$ 730,610	\$ 589,456	\$ 664,620	\$ 503,181

GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES
General and Administrative Expenses
(in thousands) (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Real estate general and administrative expenses ⁽¹⁾⁽²⁾	\$ 15,498	\$ 16,203	\$ 46,232	\$ 48,393
GLP Holdings, LLC. (TRS) general and administrative expenses ⁽²⁾	6,036	5,618	17,224	16,595
Total	\$ 21,534	\$ 21,821	\$ 63,456	\$ 64,988

⁽¹⁾ Includes REIT expenses such as ground rent expense and amortization of land rights of \$6.4 million and \$17.6 million for the three and nine months ended September 30, 2017, respectively, and \$5.2 million and \$9.7 million for the three and nine months ended September 30, 2016, respectively.

⁽²⁾ General and administrative expenses include payroll related expenses, insurance, utilities, professional fees, rent expense, amortization of land rights and other administrative costs.

Reconciliation of Net income (GAAP) to FFO, FFO to AFFO, and AFFO to Adjusted EBITDA
Gaming and Leisure Properties, Inc. and Subsidiaries

CONSOLIDATED
(in thousands) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 97,014	\$ 89,600	\$ 287,339	\$ 195,613
Losses or (gains) from dispositions of property	421	(445)	515	(460)
Real estate depreciation	25,301	23,802	75,312	71,164
Funds from operations	\$ 122,736	\$ 112,957	\$ 363,166	\$ 266,317
Straight-line rent adjustments	16,617	14,517	49,355	42,429
Direct financing lease adjustments	18,614	18,004	54,459	30,529
Other depreciation ⁽¹⁾	3,331	3,363	10,000	10,103
Amortization of land rights	2,727	2,311	7,627	3,852
Debt issuance costs amortization	3,257	3,257	9,770	11,889
Stock based compensation	3,695	4,641	11,951	13,804
Maintenance CAPEX ⁽²⁾	(460)	(496)	(2,187)	(1,693)
Adjusted funds from operations	\$ 170,517	\$ 158,554	\$ 504,141	\$ 377,230
Interest, net	54,001	52,399	161,656	130,565
Income tax expense	1,684	1,307	6,406	5,582
Maintenance CAPEX ⁽²⁾	460	496	2,187	1,693
Debt issuance costs amortization	(3,257)	(3,257)	(9,770)	(11,889)
Adjusted EBITDA	\$ 223,405	\$ 209,499	\$ 664,620	\$ 503,181

⁽¹⁾ Other depreciation includes both real estate and equipment depreciation from the Company's taxable REIT subsidiaries as well as equipment depreciation from the REIT subsidiaries.

⁽²⁾ Capital maintenance expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

Reconciliation of Net income (GAAP) to FFO, FFO to AFFO, and AFFO to Adjusted EBITDA
Gaming and Leisure Properties, Inc. and Subsidiaries
REAL ESTATE and CORPORATE (REIT)
(in thousands) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 95,089	\$ 88,261	\$ 279,458	\$ 189,016
Gains from dispositions of property	—	(471)	—	(471)
Real estate depreciation	25,301	23,802	75,312	71,164
Funds from operations	\$ 120,390	\$ 111,592	\$ 354,770	\$ 259,709
Straight-line rent adjustments	16,617	14,517	49,355	42,429
Direct financing lease adjustments	18,614	18,004	54,459	30,529
Other depreciation ⁽¹⁾	519	526	1,558	1,573
Amortization of land rights	2,727	2,311	7,627	3,852
Debt issuance costs amortization	3,257	3,257	9,770	11,889
Stock based compensation	3,695	4,641	11,951	13,804
Maintenance CAPEX	—	—	—	—
Adjusted funds from operations	\$ 165,819	\$ 154,848	\$ 489,490	\$ 363,785
Interest, net ⁽²⁾	51,400	49,799	153,854	122,764
Income tax expense	242	210	854	806
Maintenance CAPEX	—	—	—	—
Debt issuance costs amortization	(3,257)	(3,257)	(9,770)	(11,889)
Adjusted EBITDA	\$ 214,204	\$ 201,600	\$ 634,428	\$ 475,466

⁽¹⁾ Other depreciation includes equipment depreciation from the Company's REIT subsidiaries as well as equipment depreciation from the REIT subsidiaries.

⁽²⁾ Interest expense, net is net of intercompany interest eliminations of \$ 2.6 million and \$7.8 million for both the three and nine months ended September 30, 2017 and 2016 , respectively.

Reconciliation of Net income (GAAP) to FFO, FFO to AFFO, and AFFO to Adjusted EBITDA
Gaming and Leisure Properties, Inc. and Subsidiaries
GLP HOLDINGS, LLC (TRS)
(in thousands) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 1,925	\$ 1,339	\$ 7,881	\$ 6,597
Losses from dispositions of property	421	26	515	11
Real estate depreciation	—	—	—	—
Funds from operations	\$ 2,346	\$ 1,365	\$ 8,396	\$ 6,608
Straight-line rent adjustments	—	—	—	—
Direct financing lease adjustments	—	—	—	—
Other depreciation ⁽¹⁾	2,812	2,837	8,442	8,530
Amortization of land rights	—	—	—	—
Debt issuance costs amortization	—	—	—	—
Stock based compensation	—	—	—	—
Maintenance CAPEX ⁽²⁾	(460)	(496)	(2,187)	(1,693)
Adjusted funds from operations	\$ 4,698	\$ 3,706	\$ 14,651	\$ 13,445
Interest, net	2,601	2,600	7,802	7,801
Income tax expense	1,442	1,097	5,552	4,776
Maintenance CAPEX ⁽²⁾	460	496	2,187	1,693
Debt issuance costs amortization	—	—	—	—
Adjusted EBITDA	\$ 9,201	\$ 7,899	\$ 30,192	\$ 27,715

⁽¹⁾ Other depreciation includes both real estate and equipment depreciation from the Company's taxable REIT subsidiaries as well as equipment depreciation from the REIT subsidiaries.

⁽²⁾ Capital maintenance expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.