UNION GAMING

2 February 2018

North American Research

Rating: Buy
Price Target: $40.00

Price	$31.32
52wk Range	$10.72 - $26.33
Shares Outstanding (MM)	26.4
Market Capitalization (MM)	$826.0
Enterprise Value (MM)	$1,726.0
30D Avg Volume (000s)	327.4
Short Interest/Float	0.9%
Dividend Yield	0.0%
YTD % Chg	(4.1)%
YTD % Chg Relative to Index	(9.7)%
Total Implied Return to PT	27.7%
Pricing Date	February 1, 2018

Golden Entertainment, Inc.

Global Gaming Operators

GDEN | NASDAQ | $31.32
Company Update

A bargain for Las Vegas exposure - Raising PT to $40

We are updating our outlook for GDEN following its recent secondary offering that increased public float, trading liquidity, and institutional ownership. We view all of these as key positives for the shares and valuation. GDEN remains one our top picks in the sector and offers investors an attractive valuation for Las Vegas Locals exposure. GDEN currently trades at a steep discount to its Vegas Locals peer group (BYD and RRR) yet offers significant exposure to this attractive gaming market.

We maintain our Buy rating and raise our price target to $40 (from $36). While our forward estimates remain relatively unchanged, we feel incrementally more comfortable in pushing our forward multiple higher. Today, shares of GDEN trade at 8.3x our 2019 estimate while our new price target implies a ~9.3x multiple, which is still a notable discount to BYD (10.3x) and RRR (11.5x). Meanwhile, GDEN generates about 51% of Property EBITDA in Las Vegas Locals (vs 33% for BYD) and 87% in Nevada overall (in line with RRR). While we wouldn't expect GDEN to close the valuation gap entirely, we believe shares are a bargain for Las Vegas exposure and should trade in the 9.0x-9.5x context.

Improved trading liquidity. Since the secondary offering priced on Jan 19, average trading volume more than tripled from 82k shares/day to 315k shares/day and dollar volume is up to $9.6m/day vs $2.8m/day previously. This should help eliminate any liquidity discount previously ascribed to the shares and improve overall valuation.

Las Vegas is booming and GDEN is a great way to play the upside. The Las Vegas economy is on a tear and the recent tax reform will only help (i.e. increased consumer discretionary income, further capital reinvestment, and continued population migration). Top of mind is over $10bn of investment being poured into the Strip, including mega projects like the Raiders NFL stadium, the new Las Vegas Convention Center, Resorts World Las Vegas, and Wynn Paradise Park. We often see a strong positive correlation between an increase in construction activity and higher gaming volumes. We believe the recovery in Las Vegas is still in the early innings as these construction projects will continue for several years with virtually no gaming supply growth over the same time period.

Stratosphere ADR opportunity. We believe there is ample long-term EBITDA and valuation upside by yielding up the Stratosphere. Today, average room rates at the Stratosphere are $62, which is less than half that of the Las Vegas average of $129. We expect the company will focus on renovating its room product in an effort to help close the ADR gap. We estimate the company could increase ADR $10-$15 in the next 12-18 months, resulting in $7m-$11m of incremental EBITDA worth $2-$4/share. Longer-term, closing half of the ADR gap between Stratosphere and the broader market would result in $24m of incremental EBITDA worth ~ $8/share.

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Year to Dec	Net Revenue	Adjusted EBITDA	Net Debt/EBITDA	EV/EBITDA
2018E	899	191	4.2x	9.0x
Prior	886	190	4.4x	8.1x
2019E	922	203	3.5x	8.5x
Prior	908	199	3.8x	7.8x

*Please see analyst certification and required disclosures starting on page 7 of this report.

Las Vegas Locals Exposure Underappreciated

EBITDA 50% Vegas / 87% Nevada: We believe the composition of Property EBITDA earned in Las Vegas and Nevada is underappreciated in valuation. Pro forma for the ACEPLLC acquisition, over 50% of the company's Property EBITDA is generated in Las Vegas Locals which compares with 33% for BYD (pro forma for recent acquisitions). Further, GDEN generates over 87% of its EBITDA from Southern Nevada, which is squarely in line with RRR (though RRR is more concentrated to Las Vegas Locals).

Undervalued Las Vegas exposure. Despite having a significant mix of Las Vegas and Nevada EBITDA, shares of GDEN trade at a steep discount to both BYD and RRR. GDEN currently trades at 8.3x our 2019 EBITDA estimate based on our projected 2018 yearend net debt balance. Meanwhile, BYD trades at 10.3x and RRR 11.5x. While we wouldn't expect GDEN to close the valuation gap entirely, we do believe shares of GDEN are a bargain for Las Vegas exposure and should trade in the 9.0x-9.5x range.

Closing the valuation gap. We expect some of the valuation gap to close with the increased trading liquidity, public float, and institutional ownership. Since the secondary offering priced, average daily volume is up 3x to 315k shares/day while dollar volume is up from $2.8m/day to $9.6m/day. This should eliminate any liquidity discount previously ascribed to the shares.

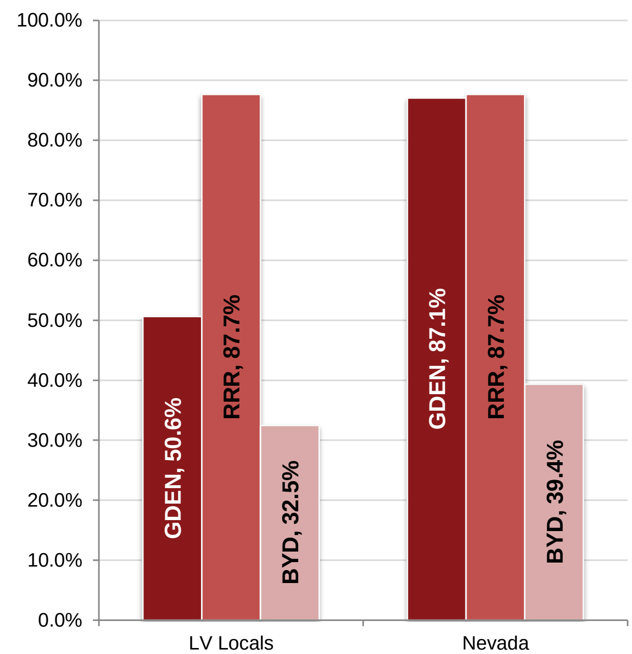
Southern Nevada economy is booming. There are several substantial tailwinds behind the Las Vegas and Nevada gaming markets. The recent tax reform bill benefits states with lower local taxes, which translates into higher consumer discretionary income and potentially incremental migration to the state. In Las Vegas specifically, there are massive new construction projects underway totaling over $10bn of investment, including the new Las Vegas Convention Center, the Raiders NFL stadium, Resorts World Las Vegas, Wynn Paradise Park (and potentially a new Wynn hotel tower across the street), just to name a few. This is bringing thousands of new construction jobs to Las Vegas which historically resulted in significantly higher gaming volumes. These major projects will take several years to complete with virtually no gaming supply growth over that time period – giving Las Vegas gaming, including GDEN, ample runway for organic growth.

Figure 1. Relative Valuation: Las Vegas Locals

2019 Pro Forma Comparison	**GDEN**	**BYD**	**RRR**
Summary financials			
Net Revenue	908.9	2,962.0	1,729.1
Property EBITDA	219.8	850.3	573.0
Adjusted EBITDA	199.8	778.3	541.0
Net Revenue Mix			
Las Vegas Locals	540.0	907.3	1,639.5
% of total	59.4%	30.6%	94.8%
Nevada	779.6	1,158.0	1,639.5
% of total	85.8%	39.1%	94.8%
Property EBITDA Mix			
Las Vegas Locals	111.3	276.4	502.5
% of total	50.6%	32.5%	87.7%
Nevada	191.3	334.7	502.5
% of total	87.1%	39.4%	87.7%
Valuation Comparison			
Current price	$31.73	$39.91	$35.51
Diluted shares O/S	27.2	112.5	115.9
Market capitalization	863.1	4,488.7	4,115.4
YE2018E Net Debt	800.6	3,527.7	2,106.1
Enterprise Value	1,663.7	8,016.4	6,221.5
TEV/EBITDA	8.3x	10.3x	11.5x
Net Leverage	4.0x	4.5x	3.9x

Source: Company documents, Union Gaming Securities.

Figure 2. Property EBITDA Mix Comparison



Source: Company documents, Union Gaming Securities.

Stratosphere and the ADR opportunity

Stratosphere will undoubtedly be a strategic focus for management given its overall contribution to both EBITDA and value. Beyond basic cost and scale synergies, we believe there are several key opportunities for upside at the Stratosphere.

Hotel renovations and higher ADR: One of the most compelling opportunities for the Stratosphere that has been proven successful time and time again across the Las Vegas Strip is reinvesting in room product to drive higher room rates. Generally, we see anywhere from a $15-$40 increase in cash ADR for newly renovated hotel rooms. Not to mention, the Stratosphere ADR of $62 is not even half of the overall Las Vegas ADR of $129 (per LVCVA). While we wouldn't expect Stratosphere to close the gap entirely, we think it's plausible to close half the gap in the long-run, which is roughly $33 of incremental ADR.

Near-term ADR opportunity. In the near-term, we would look for something in the neighborhood of a $10-$15 ADR improvement, which would be worth between $7m-$11m of incremental EBITDA which translates to $2-$4 of equity value per share using a target EV/EBITDA multiple of 9x.

Closing the ADR gap. While Stratosphere is a later cycle hotel and will naturally begin to gain more pricing power as occupancies across Las Vegas continue to peak, room renovations will be the primary driver of higher ADRs. The Stratosphere has about 2,430 rooms, of which only 900 have been refreshed in the past several years. Those renovated rooms generally fetch an average price $20 higher than the older rooms. We expect GDEN's first priority of business at the Stratosphere will be to get the room product up to standard. We believe the company could address about 400 rooms (15% of inventory) per year without really disrupting business volumes. We expect brand new rooms would garner at least a $25 premium over the ADR. The new rooms alone would yield an incremental $3m of EBITDA per year assuming 90% flow through on the higher rate. Ascribing a 9x multiple to incremental EBITDA, this would translate to about $1/share for every 400 rooms renovated. We wouldn't expect the capex budget to be that expensive either. We suspect GDEN could upgrade the hotel for $30k/room as a base case ($12m per year in capex for 400 rooms). However, this could vary depending on the company's proposed capital plan for the hotel.

Figure 3. ADR Pricing Model and Incremental EBITDA vs Value Per Share Created

Stratosphere ADR Opportunity	
Rooms	2,429
Current ADR	$62
Occupancy	90%
Las Vegas Average	$129
Total ADR Gap	$67

ADR Growth Drives Valuation							
ADR & Increase	**$5**	**$10**	**$15**	**$20**	**$25**	**$30**	**$33**
ADR % growth	8.1%	16.1%	24.2%	32.3%	40.3%	48.4%	53.2%
Incremental EBITDA	$4	$7	$11	$14	$18	$22	$24
EV/EBITDA	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x
Incremental Value / Share	$1.19	$2.38	$3.56	$4.75	$5.94	$7.13	$7.84

Source: Company documents, Union Gaming Securities.

Capital Allocation and Free Cash Flow

Dry powder available for M&A. While the majority of the equity offering earlier this month was secondary shares, GDEN issued some primary shares as part of the greenshoe resulting in net proceeds to the company of about $24m. We believe this adds to the company's M&A fund, which includes cash on hand, $100m of revolver capacity, and operating cash flow. While we don't think there is a definitive target currently, we are confident that GDEN has enough dry powder to put to work for some bolt-on or tuck-in acquisitions this year.

Deleveraging. We expect GDEN will deleverage rapidly, first via EBITDA growth and then with some accelerated debt repayment (absent any M&A opportunities). We believe GDEN will look for growth first, but if nothing is attractive, we think the company could repay a portion of its second lien term loan when the soft call steps down to 101 in October. We believe there is no rush to repay the loan yet (given the call protection) but also because the company is generating sufficient FCF and looking for growth opportunities.

Capex. We are currently forecasting annual run rate capex of about $40m. We believe the Stratosphere could receive some incremental dollars depending on the company's reinvestment plan. As we discussed earlier in this report, we believe room renovations are top priority. Based on a refresh schedule of 400 rooms per year at a base case cost of $30k/room, capex at Stratosphere would be somewhere around $12m, well within our $40m maintenance budget. Additional capex at Stratosphere could include some incremental amenities, like meeting space, a PTs Tavern concept, and reworking the sportsbook. However, we wouldn't expect a material increase in the capex budget.

FCF Yield of 12.5%. We are forecasting $102.2m of FCF in 2019, which represents a yield of 12.5% based on the current market cap. Our new $40 price target implies a FCF yield of roughly 10%. We believe this is still an attractive yield and even see upside to our FCF estimate. We currently are not modeling any M&A growth or debt repayment before the end of 2018. However, as a base case, we believe GDEN will be able to repay upwards of $50m of second lien debt by yearend (absent M&A), which translates to about $4m of incremental FCF.

Figure 4. Free Cash Flow Forecast

Period Ending	2016A	2017E	2018E	2019E
FREE CASH FLOW				
Adjusted EBITDA	48.6	70.1	191.3	203.0
(-) Cash interest expense	(6.0)	(16.4)	(50.1)	(49.2)
(-) Cash taxes	4.4	12.9	(9.7)	(11.6)
(-) Capital expenditures	(30.6)	(17.0)	(40.0)	(40.0)
Free Cash Flow	**$16.3**	**$49.6**	**$91.5**	**$102.2**
FCF / Share (LTM)	$0.74	$1.89	$3.34	$3.73

Source: Company documents, Union Gaming Securities.

Valuation – Maintain Buy Rating, Raising Price Target to $40

We are maintaining our Buy rating on the shares of GDEN and raising our price target to $40 (from $36) previously. Our valuation is based on our SOTP analysis below and represents a blended 9.3x multiple of our 2019 Adjusted EBITDA estimate of $203m. This compares with BYD, which currently trades at ~10.3x pro forma 2019E EBITDA and RRR which trades at 11.5x 2019E EBITDA. We believe there could be some valuation upside for GDEN as the institutional markets gets more familiar with the company. We feel incrementally more comfortable with our valuation multiples given the increased trading liquidity and public float.

Investment Case. Our positive outlook on the shares of GDEN remains unchanged. We believe the shares are cheap given its mix of both casino and Nevada based EBITDA relative to the Las Vegas Locals peer group (BYD and RRR). We believe there could be upside to synergies and operational upside, particularly at the Stratosphere when it comes to closing the ADR gap to overall Las Vegas room rates. We believe the macro environment continues to be improving in Las Vegas and Southern Nevada, which accounts for 87% of the company's Property EBITDA.

Figure 5. Valuation Summary

SUM-OF-THE-PARTS	2019E		
	EBITDA	Multiple	Value
Distributed gaming	52.7	8.0x	421.8
Casino operations	170.3	9.5x	1,617.7
Corporate expense	(20.0)	8.0x	(160.0)
Total	**$203.0**	**9.3x**	**$1,879.5**
Less net debt			(796.0)
Implied equity value			**$1,083.5**
Total shares outstanding			27.4
Implied equity value per share			**$39.54**

Source: Company documents, Union Gaming Securities.

Figure 6. Summary Financial Model

Period Ending	2016A	1Q17A	2Q17A	3Q17A	4Q17E	2017E	1Q18E	2Q18E	3Q18E	4Q18E	2018E	2019E
Date	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Dec-19
Days	366	90	91	92	92	365	90	91	92	92	365	365
NET REVENUE												
Distributed gaming	305.8	82.3	84.2	80.7	83.0	330.2	83.7	85.3	84.8	87.1	340.8	346.0
Casinos	97.1	24.3	26.2	27.5	78.4	156.4	138.0	140.0	141.4	138.4	557.8	575.4
Corporate and other	0.2	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.4
Net revenue	**$403.1**	**$106.6**	**$110.5**	**$108.3**	**$161.5**	**$486.9**	**$221.8**	**$225.4**	**$226.3**	**$225.6**	**$899.0**	**$921.8**
Growth y/y %												
Distributed gaming	*22.7%*	*19.9%*	*8.3%*	*3.2%*	*2.2%*	*8.0%*	*1.7%*	*1.3%*	*5.0%*	*5.0%*	*3.2%*	*1.5%*
Casinos	*1.4%*	*8.5%*	*6.1%*	*6.1%*	*225.4%*	*61.0%*	*467.6%*	*434.1%*	*414.5%*	*76.5%*	*256.6%*	*3.2%*
Corporate and other	*(39.9%)*	*113.5%*	*14.3%*	*1337.5%*	*5.3%*	*65.0%*	*26.6%*	*4.2%*	*8.7%*	*0.0%*	*9.0%*	*0.0%*
Net Revenue	***16.7%***	***17.1%***	***7.7%***	***4.0%***	***53.2%***	***20.8%***	***107.9%***	***104.0%***	***108.9%***	***39.7%***	***84.6%***	***2.5%***
ADJUSTED EBITDA												
Distributed gaming	43.6	13.1	13.5	11.2	12.0	49.8	13.4	13.6	11.8	12.8	51.6	52.7
Casinos	23.6	6.3	6.9	8.9	19.6	41.7	39.3	40.1	41.5	39.7	160.6	170.3
Property EBITDA	**$67.1**	**$19.4**	**$20.4**	**$20.1**	**$31.6**	**$91.5**	**$52.7**	**$53.8**	**$53.3**	**$52.4**	**$212.2**	**$223.0**
Corporate expense	(18.6)	(5.8)	(5.4)	(5.0)	(5.2)	(21.5)	(5.5)	(5.4)	(5.0)	(5.0)	(20.9)	(20.0)
Adjusted EBITDA	**$48.6**	**$13.6**	**$15.0**	**$15.1**	**$26.4**	**$70.1**	**$47.2**	**$48.4**	**$48.3**	**$47.4**	**$191.3**	**$203.0**
Margins %												
Distributed gaming	*14.2%*	*15.9%*	*16.0%*	*13.8%*	*14.5%*	*15.1%*	*16.0%*	*16.0%*	*13.9%*	*14.7%*	*15.1%*	*15.2%*
Casinos	*24.3%*	*25.9%*	*26.5%*	*32.5%*	*25.0%*	*26.7%*	*28.5%*	*28.7%*	*29.3%*	*28.7%*	*28.8%*	*29.6%*
Property EBITDA	***16.7%***	***18.2%***	***18.5%***	***18.6%***	***19.6%***	***18.8%***	***23.8%***	***23.9%***	***23.6%***	***23.2%***	***23.6%***	***24.2%***
Adjusted EBITDA	***12.0%***	***12.7%***	***13.6%***	***13.9%***	***16.4%***	***14.4%***	***21.3%***	***21.5%***	***21.3%***	***21.0%***	***21.3%***	***22.0%***
NET INCOME												
Adjusted EBITDA	48.6	13.6	15.0	15.1	26.2	69.9	47.2	48.4	48.3	47.4	191.3	203.0
Depreciation and amortization	(27.5)	(6.6)	(7.4)	(7.5)	(11.0)	(32.5)	(15.0)	(15.0)	(15.0)	(15.0)	(60.0)	(60.0)
Pre-opening and transaction related	(6.8)	0.0	0.0	0.0	(0.8)	(0.8)	(0.4)	(0.4)	(0.4)	(0.4)	(1.6)	(1.6)
Other operating expense	(1.0)	(1.7)	(5.0)	(5.1)	(0.2)	(12.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.8)
Operating Income	**13.2**	**5.3**	**2.6**	**2.4**	**14.2**	**24.5**	**31.6**	**32.8**	**32.7**	**31.8**	**128.9**	**140.6**
Interest expense, net	(6.5)	(1.7)	(2.0)	(1.9)	(8.0)	(13.6)	(12.6)	(12.5)	(12.5)	(12.5)	(50.1)	(49.2)
Other non-operating	5.1	0.0	0.0	0.0	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(2.0)
Tax benefit (expense)	4.4	1.7	1.1	8.1	2.0	12.9	(2.3)	(2.5)	(2.5)	(2.4)	(9.7)	(11.6)
Net income (loss)	**$16.2**	**$5.3**	**$1.7**	**$8.6**	**$7.2**	**$22.8**	**$15.7**	**$16.7**	**$16.7**	**$16.0**	**$65.1**	**$77.8**
Diluted shares outstanding	22.1	22.2	22.3	22.3	26.3	23.3	27.4	27.4	27.4	27.4	27.4	27.4
Diluted EPS (Quarterly)	**$0.72**	**$0.23**	**$0.07**	**$0.36**	**$0.26**	**$0.92**	**$0.54**	**$0.58**	**$0.58**	**$0.55**	**$2.24**	**$2.68**
Diluted EPS (LTM)	**$0.72**	**$0.85**	**$0.80**	**$1.10**	**$0.92**	**$0.92**	**$1.22**	**$1.73**	**$1.95**	**$2.24**	**$2.24**	**$2.68**
FREE CASH FLOW												
Adjusted EBITDA	48.6	13.6	15.0	15.1	26.4	70.1	47.2	48.4	48.3	47.4	191.3	203.0
(-) Cash interest expense	(6.0)	(1.5)	(1.4)	(1.4)	(12.0)	(16.4)	(12.6)	(12.5)	(12.5)	(12.5)	(50.1)	(49.2)
(-) Cash taxes	4.4	1.7	1.1	8.1	2.0	12.9	(2.3)	(2.5)	(2.5)	(2.4)	(9.7)	(11.6)
(-) Capital expenditures	(30.6)	(4.0)	(4.0)	(4.0)	(5.0)	(17.0)	(10.0)	(10.0)	(10.0)	(10.0)	(40.0)	(40.0)
Free Cash Flow	**$16.3**	**$9.8**	**$10.7**	**$17.7**	**$11.4**	**$49.6**	**$22.3**	**$23.3**	**$23.3**	**$22.6**	**$91.5**	**$102.2**
FCF / Share (LTM)	$0.74	$1.15	$1.55	$2.13	$1.89	$1.89	$2.26	$2.73	$2.93	$3.34	$3.34	$3.73
BALANCE SHEET AND CREDIT STATISTICS												
Adjusted EBITDA (LTM)	48.6	51.6	53.3	55.8	70.1	70.1	103.7	137.1	170.3	191.3	191.3	203.0
Total debt	183.4	178.8	176.8	172.8	1,000.8	1,000.8	998.8	996.8	994.8	992.8	992.8	976.8
Cash, ending	46.9	45.2	49.8	42.9	103.5	103.5	147.2	163.3	181.4	196.8	196.8	272.2
Net debt	136.5	133.6	127.0	129.9	897.3	897.3	851.6	833.5	813.4	796.0	796.0	704.7
Total leverage	3.8x	3.5x	3.3x	3.1x	14.3x	14.3x	9.6x	7.3x	5.8x	5.2x	5.2x	4.8x
Net leverage	2.8x	2.6x	2.4x	2.3x	12.8x	12.8x	8.2x	6.1x	4.8x	4.2x	4.2x	3.5x

Source: Company documents, Union Gaming Securities.

Important Disclosure

Analyst Certification

The analyst, John DeCree, primarily responsible for the preparation of this research report attests to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly related to the specific recommendations or views in this research report.

Company Specific Disclosures

Union Gaming or an affiliate has acted as a manager or co-manager of a public offering of securities by this subject company Golden Entertainment, Inc. in the last 12 months.

Union Gaming or an affiliate has a client relationship with or received compensation from these subject companies Golden Entertainment, Inc. and Boyd Gaming Corporation for non-securities services in the last 12 months.

Union Gaming or an affiliate expects to receive or intends to seek compensation for investment banking services from these subject companies Golden Entertainment, Inc. and Red Rock Resorts, Inc. within the next three months.

The following company is a client of Union Gaming and the firm has received or is entitled to receive compensation for investment banking services involving their securities within the last 12 months: GDEN

Union Gaming or an affiliate has had a client relationship with this subject company Red Rock Resorts, Inc. for investment banking services.

Union Gaming or an affiliate has received compensation from this subject company Red Rock Resorts, Inc. for investment banking services in the last 12 months.

Ratings Definitions

Current Ratings Definition

Union Gaming Securities LLC and Union Gaming Securities Asia Limited use a traditional ratings construct (Buy, Hold, and Sell) that is underscored by percentage upside/downside from current trading levels along with dividend yields for total return. We exclude special dividends and contemplate regular dividends only in our total return forecasts. These are absolute ratings, not relative or forced ratings. We define a Buy rating as a company whose shares exhibit total return (appreciation and dividends) potential of at least 15% within the next 12 months, and conversely a Sell rating as a company whose shares exhibit downside potential of at least 15% within the next 12 months. A Hold rating is reserved for companies whose shares exhibit total return potential between those parameters.

Buy – the total forecasted return is expected to be greater than 15% within the next 12 months

Hold – the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 15%

Sell – whose shares exhibit downside potential of at least 15% within the next 12 months

Suspended – the company rating, target price and earnings estimates have been temporarily suspended.

Valuation and Risks

Valuation

Enterprise Value-to-EBITDA, Sum-of-the-Parts Analysis, Price-to-Earnings Ratio, Discounted Cash Flow Analysis, Price-to-AFFO, Net Asset Value.

Risks

Investment Risks: Union Gaming Securities' equity research team covers the casino, gambling, gaming, lottery and related sectors. The companies operating within these sectors generally have a global presence or significant exposure to China and Las Vegas, among other markets. In addition, the markets that companies in these sectors operate are highly regulated by local and federal governments. Risks across or specific to one or more of these sectors include regulatory or legislative impacts related to licensing, tourism or the competitive landscape. Licenses to operate gaming facilities or supply gaming equipment or lottery services are often governed by regulatory authorities. Additional Risks for investing in these sectors include volatility in consumer discretionary spending and consumer confidence, currency, interest rates, unemployment rates, access to capital, the cost of capital, commodity costs, geopolitical uncertainty, and unfavorable government regulations. Companies operating within our covered sectors rely in part on tourism, and business trends could be impacted by changes or influences to tourism in a given market or markets , including visa policy, transit policies and security, transportation infrastructure, weather and natural disasters. Golden Entertainment is heavily exposed to the Las Vegas Locals market, any disruption in the economic condition of Las Vegas would adversely impact its business. In addition, Golden Entertainment has a small market cap and limited trading liquidity. Further, our investment thesis is based on the company's ability to grow via M&A which will require access to capital markets. The company's inability to access the debt or equity markets could impact growth.

Ratings Distribution (as of 02/02/2018)

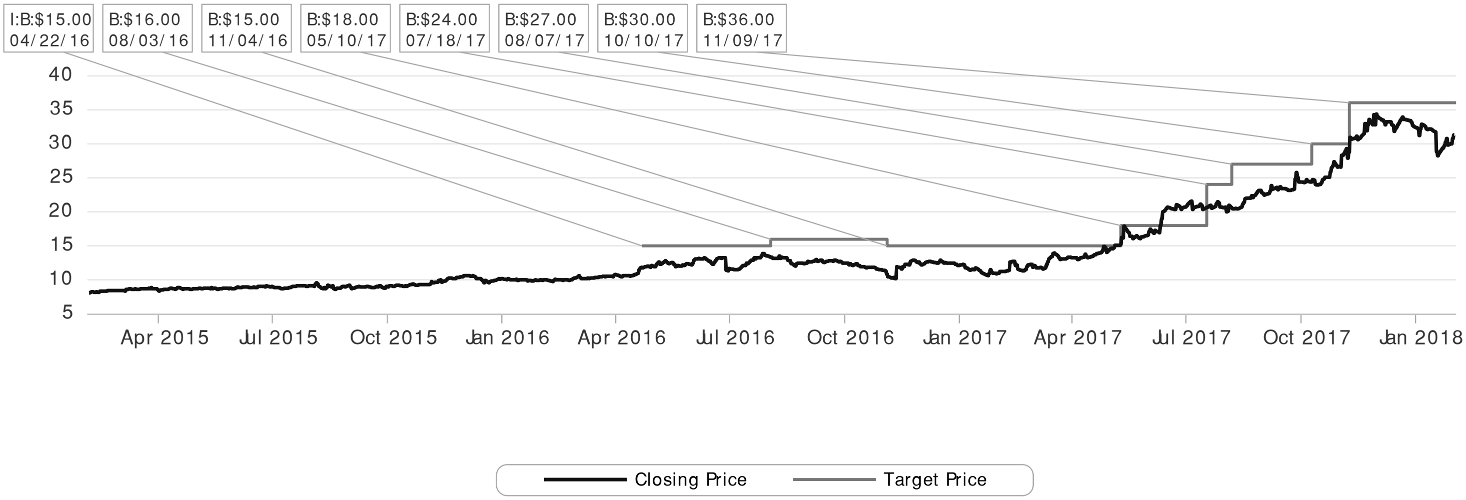
Coverage Universe

Ratings	Count	Pct.
BUY	16	64%
HOLD	9	36%
SELL	0	0%

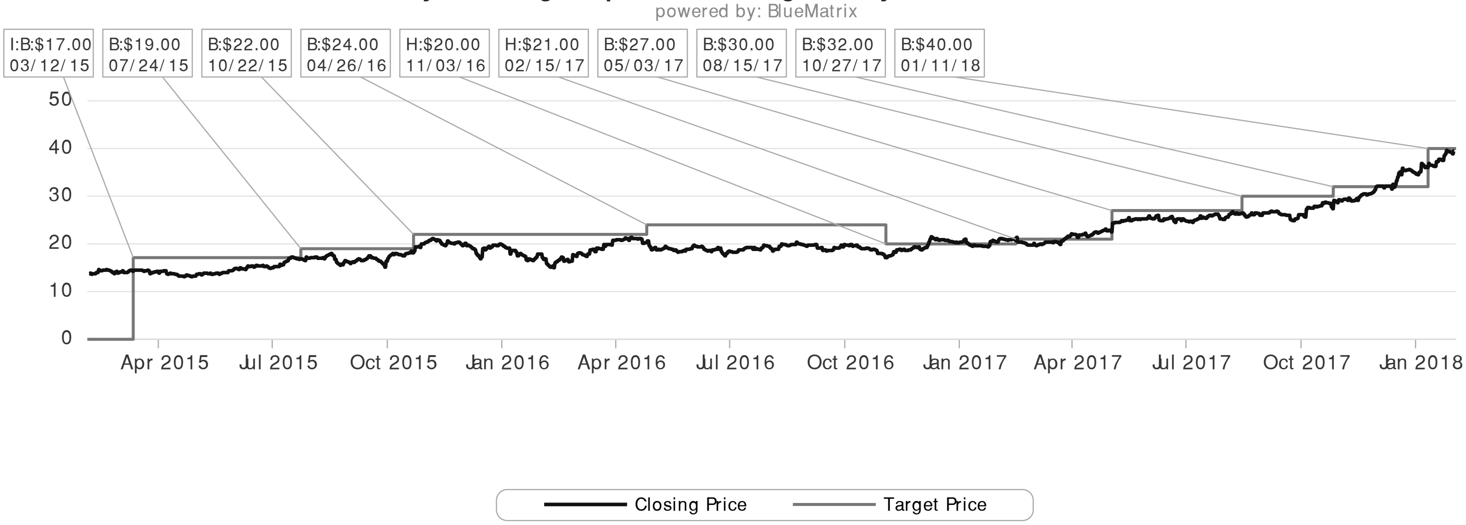
Investment Banking Services / Past 12 Months

Rating	Count	Pct.
BUY	7	44%
HOLD	0	0%
SELL	0	0%

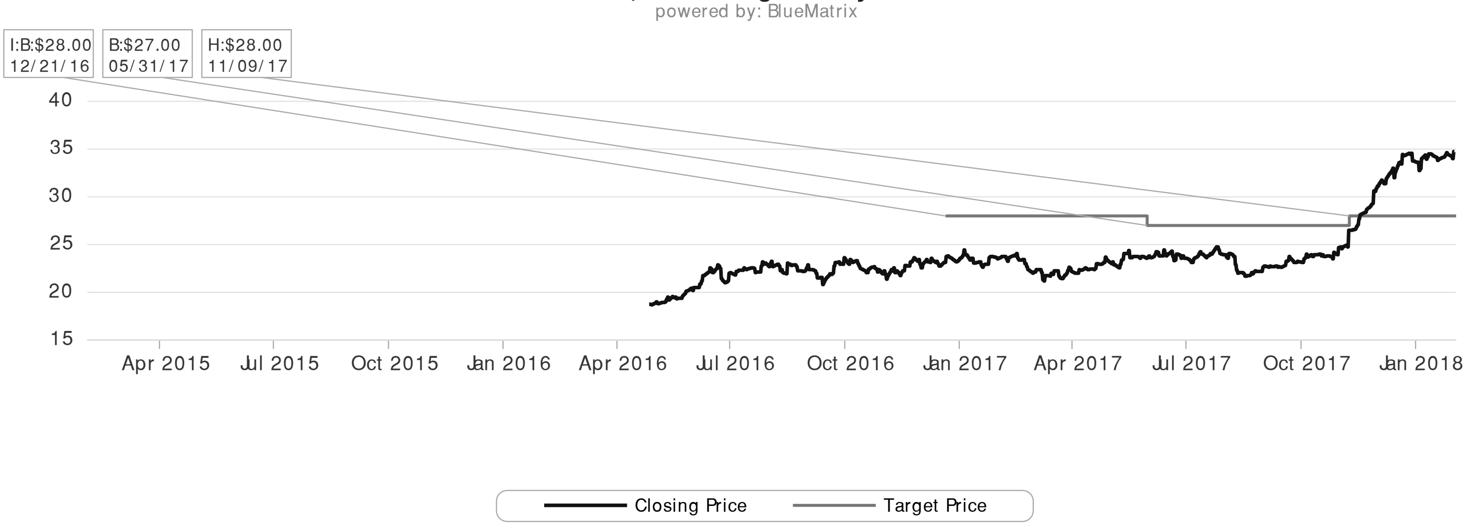
Golden Entertainment, Inc. Rating History as of 02/01/2018
powered by: BlueMatrix



Boyd Gaming Corporation Rating History as of 02/01/2018
powered by: BlueMatrix



Red Rock Resorts, Inc. Rating History as of 02/01/2018
powered by: BlueMatrix



General Disclosures

Additional information is available upon request.

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