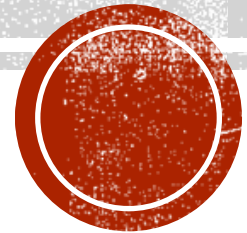


# BALTIMORE GAMING MARKET ASSESSMENT

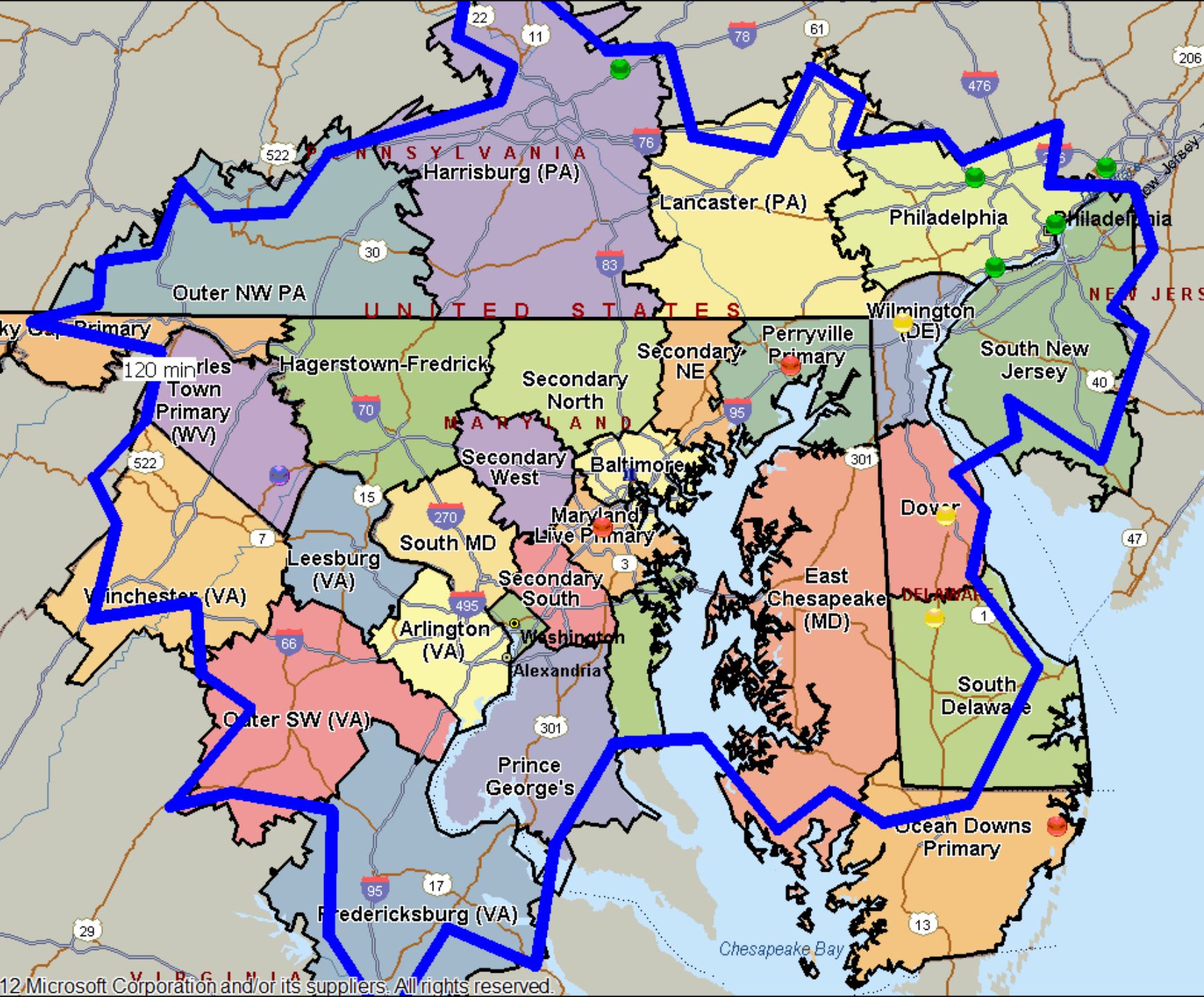
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# OBJECTIVES

1. Estimate the Gaming Revenue Potential of Horseshoe Baltimore
2. Estimate the Gaming Revenue Impact on the Existing Maryland Gaming Facilities



## DEFINE AND SEGMENT THE LOCAL MARKET

- Residents living within a “reasonable drive” of the facility
- Proposed Horseshoe Baltimore warranted a 2-hour drive-time ring
- Captures 3 major metropolitan areas
- Segregated market into 29 manageable segments
  - Including 15 Maryland segments



| Gamer Population          |                   |                   |             |                   |
|---------------------------|-------------------|-------------------|-------------|-------------------|
| Market Segments           | 2013              | 2018              | 5-yr AAG    | % of Total (2013) |
| Anne Arundel South        | 161,600           | 169,100           | 0.9%        | 1.3%              |
| Arlington (VA)            | 1,164,600         | 1,234,900         | 1.2%        | 9.6%              |
| Maryland Live Primary     | 359,300           | 381,100           | 1.2%        | 3.0%              |
| Baltimore                 | 883,600           | 894,200           | 0.2%        | 7.3%              |
| District of Columbia      | 493,400           | 541,000           | 1.9%        | 4.1%              |
| Dover (DE)                | 115,100           | 122,400           | 1.2%        | 1.0%              |
| East Chesapeake (MD)      | 129,000           | 132,200           | 0.5%        | 1.1%              |
| Fredericksburg (VA)       | 247,200           | 266,500           | 1.5%        | 2.0%              |
| Hagerstown-Fredrick       | 272,600           | 285,700           | 0.9%        | 2.3%              |
| Harrisburg (PA)           | 794,900           | 811,300           | 0.4%        | 6.6%              |
| Lancaster (PA)            | 600,300           | 615,300           | 0.5%        | 5.0%              |
| Leesburg (VA)             | 224,700           | 250,200           | 2.2%        | 1.9%              |
| South New Jersey          | 881,500           | 893,200           | 0.3%        | 7.3%              |
| Secondary North           | 234,600           | 243,600           | 0.8%        | 1.9%              |
| Ocean Downs Primary       | 129,900           | 132,900           | 0.5%        | 1.1%              |
| Rocky Gap Primary         | 59,600            | 60,000            | 0.1%        | 0.5%              |
| Outer NW (PA)             | 145,600           | 148,700           | 0.4%        | 1.2%              |
| Outer SW (VA)             | 408,700           | 451,000           | 2.0%        | 3.4%              |
| Perryville Primary        | 134,800           | 140,700           | 0.9%        | 1.1%              |
| Secondary NE              | 138,700           | 144,600           | 0.8%        | 1.1%              |
| Philadelphia              | 2,037,300         | 2,085,500         | 0.5%        | 16.9%             |
| Prince George's           | 312,100           | 332,700           | 1.3%        | 2.6%              |
| Secondary South           | 593,400           | 618,900           | 0.8%        | 4.9%              |
| South Delaware            | 171,300           | 179,300           | 0.9%        | 1.4%              |
| South MD                  | 580,500           | 618,100           | 1.3%        | 4.8%              |
| Secondary West            | 157,300           | 170,000           | 1.6%        | 1.3%              |
| Charles Town Primary (WV) | 128,000           | 133,200           | 0.8%        | 1.1%              |
| Wilmington                | 382,000           | 395,800           | 0.7%        | 3.2%              |
| Winchester (VA)           | 135,400           | 141,800           | 0.9%        | 1.1%              |
| <b>Total</b>              | <b>12,077,000</b> | <b>12,593,900</b> | <b>0.8%</b> | <b>100.0%</b>     |

## GAMER POPULATION

- Roughly 12.1 million adults (21 years of age and older)
- Overall Growth Rate in line with National Average

| <b>AAHI</b>               |                 |                  |             |
|---------------------------|-----------------|------------------|-------------|
| <b>Market Segments</b>    | <b>2013</b>     | <b>2018</b>      | <b>AAG</b>  |
| Anne Arundel South        | \$122,600       | \$143,600        | 3.2%        |
| Arlington (VA)            | \$139,500       | \$155,800        | 2.2%        |
| Maryland Live Primary     | \$111,900       | \$125,800        | 2.4%        |
| Baltimore                 | \$66,100        | \$70,800         | 1.4%        |
| District of Columbia      | \$99,100        | \$113,500        | 2.8%        |
| Dover (DE)                | \$68,300        | \$73,800         | 1.6%        |
| East Chesapeake (MD)      | \$79,700        | \$83,200         | 0.9%        |
| Fredericksburg (VA)       | \$93,800        | \$106,200        | 2.5%        |
| Hagerstown-Fredrick       | \$88,400        | \$100,600        | 2.6%        |
| Harrisburg (PA)           | \$70,800        | \$75,700         | 1.3%        |
| Lancaster (PA)            | \$67,700        | \$68,100         | 0.1%        |
| Leesburg (VA)             | \$151,900       | \$173,900        | 2.7%        |
| South New Jersey          | \$83,700        | \$92,300         | 2.0%        |
| Secondary North           | \$102,400       | \$113,600        | 2.1%        |
| Ocean Downs Primary       | \$65,200        | \$68,900         | 1.1%        |
| Rocky Gap Primary         | \$52,800        | \$56,100         | 1.2%        |
| Outer NW (PA)             | \$60,200        | \$61,300         | 0.4%        |
| Outer SW (VA)             | \$111,600       | \$125,700        | 2.4%        |
| Perryville Primary        | \$81,500        | \$89,400         | 1.9%        |
| Secondary NE              | \$97,600        | \$109,400        | 2.3%        |
| Philadelphia              | \$76,500        | \$81,300         | 1.2%        |
| Prince George's           | \$102,100       | \$117,900        | 2.9%        |
| Secondary South           | \$92,300        | \$105,300        | 2.7%        |
| South Delaware            | \$62,200        | \$62,800         | 0.2%        |
| South MD                  | \$140,100       | \$156,000        | 2.2%        |
| Secondary West            | \$148,000       | \$169,500        | 2.7%        |
| Charles Town Primary (WV) | \$65,600        | \$67,000         | 0.4%        |
| Wilmington                | \$82,100        | \$86,800         | 1.1%        |
| Winchester (VA)           | \$74,600        | \$79,200         | 1.2%        |
| <b>Total</b>              | <b>\$92,920</b> | <b>\$102,830</b> | <b>2.0%</b> |

# AVERAGE ANNUAL HOUSEHOLD INCOME

- Averaged \$92,900 annually
- Approximately 33% higher than the National Average
- Expected growth rate of 2%

# GRAVITY MODEL – GRASS ROOTS EFFORT

|                  |   |            |   |        |   |           |   |              |   |             |   |                |
|------------------|---|------------|---|--------|---|-----------|---|--------------|---|-------------|---|----------------|
| Gamer Population | x | Propensity | = | Gamers | x | Frequency | = | Gamer Visits | x | Win / Visit | = | Gaming Revenue |
|------------------|---|------------|---|--------|---|-----------|---|--------------|---|-------------|---|----------------|

|         |   |     |   |         |   |      |   |           |   |      |   |               |
|---------|---|-----|---|---------|---|------|---|-----------|---|------|---|---------------|
| 889,900 | x | 40% | = | 358,800 | x | 10.9 | = | 3,928,500 | x | \$58 | = | \$228,524,000 |
|---------|---|-----|---|---------|---|------|---|-----------|---|------|---|---------------|

- **Propensity** – Percentage of the gamer (adult) population that is expected to patronize an area gaming facility at least once per year;
- **Frequency** – Average number of times per year a person with a propensity to patronize a gaming facility actually does so;
- **Win per Visit** (“WPV”) – Average amount the casino wins per gaming visit.

# GAMING FACTORS

Gaming factors generally fluctuate due to:

1. Convenience (as measured in drive time)
2. Demographic Characteristics
3. Size, scope and quality of Gaming Alternatives

Established using a 3-step process:

1. Calibration
2. Baseline
3. Pro Forma

# MARKET FORECAST (FY16)

| Market Segments           | Gamer Population  | Propensity   | Gamers           | Frequency  | Total Visits      | Win / Visit | Gaming Revenue         |
|---------------------------|-------------------|--------------|------------------|------------|-------------------|-------------|------------------------|
| Anne Arundel South        | 166,100           | 28.0%        | 46,491           | 8.1        | 375,784           | \$97        | \$36,387,726           |
| Arlington (VA)            | 1,206,300         | 23.2%        | 280,160          | 6.8        | 1,901,585         | \$116       | \$221,224,027          |
| Maryland Live Primary     | 372,200           | 33.2%        | 123,447          | 9.7        | 1,191,622         | \$79        | \$94,242,920           |
| Baltimore                 | 889,900           | 40.3%        | 358,816          | 10.9       | 3,928,541         | \$58        | \$228,524,342          |
| District of Columbia      | 521,400           | 30.8%        | 160,638          | 8.3        | 1,330,242         | \$85        | \$112,749,315          |
| Dover (DE)                | 119,400           | 44.5%        | 53,097           | 14.1       | 749,380           | \$61        | \$45,420,672           |
| East Chesapeake (MD)      | 130,900           | 34.4%        | 45,086           | 9.5        | 427,752           | \$82        | \$35,216,951           |
| Fredericksburg (VA)       | 258,600           | 19.2%        | 49,669           | 5.5        | 272,556           | \$107       | \$29,092,164           |
| Hagerstown-Fredrick       | 280,400           | 31.1%        | 87,339           | 8.9        | 777,804           | \$80        | \$62,022,205           |
| Harrisburg (PA)           | 804,700           | 35.1%        | 282,505          | 9.3        | 2,625,425         | \$72        | \$189,921,892          |
| Lancaster (PA)            | 609,300           | 30.5%        | 186,101          | 7.5        | 1,402,054         | \$78        | \$109,799,500          |
| Leesburg (VA)             | 239,700           | 25.2%        | 60,479           | 8.2        | 495,649           | \$110       | \$54,524,866           |
| South New Jersey          | 888,500           | 36.7%        | 326,236          | 9.7        | 3,176,081         | \$71        | \$226,734,644          |
| Secondary North           | 240,000           | 30.8%        | 73,998           | 8.3        | 611,463           | \$88        | \$53,748,846           |
| Ocean Downs Primary       | 131,700           | 36.5%        | 48,087           | 9.1        | 437,982           | \$69        | \$30,141,870           |
| Rocky Gap Primary         | 59,800            | 38.4%        | 22,939           | 9.4        | 216,609           | \$57        | \$12,319,707           |
| Outer NW (PA)             | 147,500           | 31.4%        | 46,325           | 8.3        | 383,635           | \$70        | \$26,860,244           |
| Outer SW (VA)             | 433,600           | 22.2%        | 96,275           | 6.7        | 648,014           | \$105       | \$67,789,084           |
| Perryville Primary        | 138,300           | 39.0%        | 53,984           | 10.6       | 570,433           | \$65        | \$37,253,357           |
| Secondary NE              | 142,200           | 33.4%        | 47,538           | 8.4        | 397,469           | \$83        | \$33,135,495           |
| Philadelphia              | 2,066,100         | 39.7%        | 820,954          | 11.3       | 9,285,984         | \$65        | \$600,475,761          |
| Prince George's           | 324,300           | 27.5%        | 89,099           | 7.6        | 676,239           | \$93        | \$62,735,931           |
| Secondary South           | 608,600           | 31.4%        | 191,316          | 8.5        | 1,628,195         | \$80        | \$130,520,875          |
| South Delaware            | 176,100           | 40.0%        | 70,521           | 11.8       | 832,362           | \$69        | \$57,297,630           |
| South MD                  | 602,800           | 26.2%        | 157,791          | 7.9        | 1,240,318         | \$104       | \$129,477,403          |
| Secondary West            | 164,800           | 28.1%        | 46,369           | 8.8        | 408,745           | \$99        | \$40,291,848           |
| Charles Town Primary (WV) | 131,100           | 39.9%        | 52,255           | 11.7       | 611,006           | \$56        | \$34,248,741           |
| Wilmington                | 390,200           | 40.5%        | 157,882          | 11.8       | 1,869,320         | \$64        | \$120,197,346          |
| Winchester (VA)           | 139,200           | 34.2%        | 47,540           | 10.0       | 477,342           | \$67        | \$32,094,358           |
| <b>Total / Average</b>    | <b>12,383,700</b> | <b>33.0%</b> | <b>4,082,937</b> | <b>9.5</b> | <b>38,949,590</b> | <b>\$75</b> | <b>\$2,914,449,721</b> |



|                    | Revenue | \$\$ Change | % Change |
|--------------------|---------|-------------|----------|
| Calibration (FY14) | \$2,664 |             |          |
| Baseline1 (FY16)   | \$2,754 | \$90        | 3.4%     |
| Baseline2 (FY16)   | \$2,812 | \$58        | 2.2%     |
| Pro Forma (FY16)   | \$2,914 | \$102       | 3.6%     |

# TOTAL MARKET GROWTH

1. Current status based on Actual Results
2. Considers Organic Growth Over Time
  1. Population Growth
  2. Income Level Growth
3. Adds any Proposed Expansions
4. Layers in Subject Development

# MARKET GROWTH – HORSESHOE BALTIMORE

| State                | 2015 Baseline2 | FY 2016 Pro Forma | Change       | % Change    |
|----------------------|----------------|-------------------|--------------|-------------|
| Maryland             | \$902          | \$986             | \$84         | 9.3%        |
| Pennsylvania         | \$923          | \$927             | \$4          | 0.5%        |
| Delaware             | \$222          | \$223             | \$1          | 0.3%        |
| New Jersey           | \$226          | \$227             | \$0          | 0.2%        |
| Virginia             | \$396          | \$405             | \$8          | 2.1%        |
| West Virginia        | \$34           | \$34              | \$0          | 0.6%        |
| District of Columbia | \$108          | \$113             | \$4          | 4.0%        |
| <b>Total</b>         | <b>\$2,812</b> | <b>\$2,914</b>    | <b>\$102</b> | <b>3.6%</b> |

1. Is the convenience of gaming enhanced for any of the market segments?
2. Is the new gaming product sufficiently innovative as to entice additional patronage?
3. Are marketing efforts related to the new operation expected to be at a level that encourages additional patronage?
4. Does the market need additional capacity during peak times, mainly weekends and holidays?

# GAMING REVENUE ALLOCATION

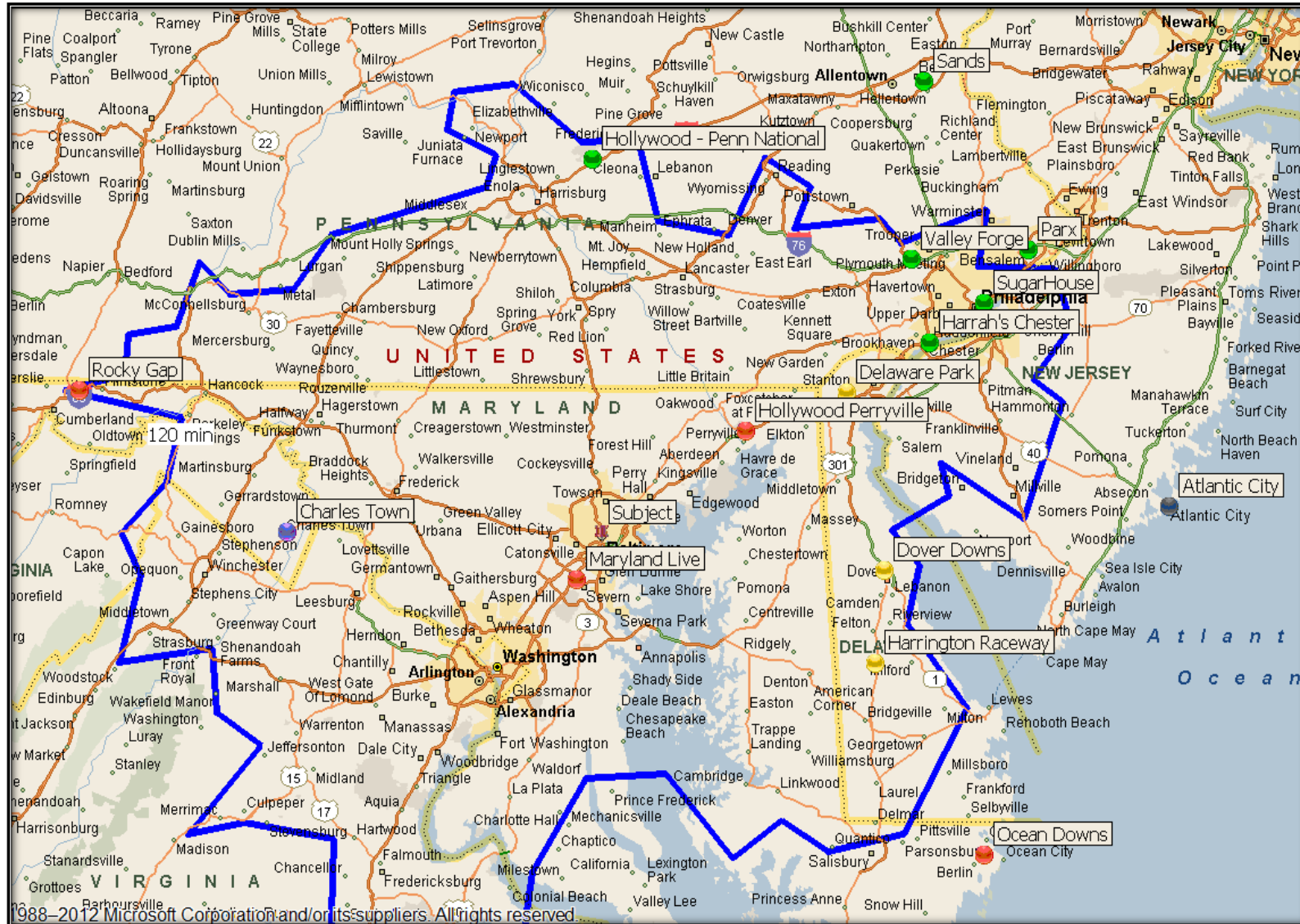
## 1. Drive-Time Matrix

| Drive Time Matrix     | Horseshoe<br>Baltimore | Maryland Live | Hollywood<br>Perryville | Ocean Downs | Rocky Gap |
|-----------------------|------------------------|---------------|-------------------------|-------------|-----------|
| Anne Arundel South    | 42                     | 38            | 86                      |             |           |
| Arlington (VA)        | 66                     | 59            | 120                     |             |           |
| Maryland Live Primary | 25                     | 20            | 56                      |             |           |
| Baltimore             | 15                     | 30            | 44                      |             |           |
| District of Columbia  | 44                     | 35            | 91                      |             |           |
| Dover (DE)            | 101                    | 96            | 65                      | 79          |           |
| East Chesapeake (MD)  | 72                     | 67            | 84                      | 82          |           |
| Fredericksburg (VA)   | 127                    | 116           |                         |             |           |
| Hagerstown-Fredrick   | 64                     | 62            | 114                     |             | 67        |
| Harrisburg (PA)       | 72                     | 98            | 90                      |             |           |

## 2. Gravity or Breadth of the Gaming Alternatives

- Size in Terms of Gaming Positions
- Scope and Quality of Gaming Product
- Maryland Live (4.5) versus Horseshoe Baltimore (3.9)





# COMPETITIVE SET

Four (4) – Maryland

Three (3) - Delaware

Six (6) – Pennsylvania

One (1) – West Virginia

Atlantic City



# CAPTURE RATES

| Baseline Capture Rates |                        |               |                         |             |           |                                 |                     |                         |                           |               |             |
|------------------------|------------------------|---------------|-------------------------|-------------|-----------|---------------------------------|---------------------|-------------------------|---------------------------|---------------|-------------|
| State                  | Horseshoe<br>Baltimore | Maryland Live | Hollywood<br>Perryville | Ocean Downs | Rocky Gap | Subtotal<br>Maryland<br>Casinos | Delaware<br>Casinos | Pennsylvania<br>Casinos | Hollywood<br>Charles Town | Atlantic City | Total       |
| Maryland               | 0%                     | 52%           | 7%                      | 1%          | 2%        | 62%                             | 13%                 | 7%                      | 14%                       | 4%            | 100%        |
| Pennsylvania           | 0%                     | 2%            | 1%                      | 0%          | 0%        | 3%                              | 6%                  | 80%                     | 3%                        | 8%            | 100%        |
| Delaware               | 0%                     | 2%            | 3%                      | 2%          | 0%        | 7%                              | 72%                 | 11%                     | 0%                        | 10%           | 100%        |
| New Jersey             | 0%                     | 0%            | 1%                      | 0%          | 0%        | 1%                              | 6%                  | 50%                     | 0%                        | 43%           | 100%        |
| Virginia               | 0%                     | 32%           | 2%                      | 0%          | 0%        | 33%                             | 9%                  | 5%                      | 53%                       | 0%            | 100%        |
| West Virginia          | 0%                     | 3%            | 0%                      | 0%          | 1%        | 3%                              | 0%                  | 1%                      | 95%                       | 0%            | 100%        |
| District of Columbia   | 0%                     | 65%           | 2%                      | 0%          | 0%        | 68%                             | 14%                 | 4%                      | 14%                       | 0%            | 100%        |
| <b>Total</b>           | <b>0%</b>              | <b>24%</b>    | <b>3%</b>               | <b>1%</b>   | <b>1%</b> | <b>29%</b>                      | <b>14%</b>          | <b>34%</b>              | <b>15%</b>                | <b>8%</b>     | <b>100%</b> |

| Pro Forma Capture Rates |                        |               |                         |             |           |                                 |                     |                         |                           |               |             |
|-------------------------|------------------------|---------------|-------------------------|-------------|-----------|---------------------------------|---------------------|-------------------------|---------------------------|---------------|-------------|
| State                   | Horseshoe<br>Baltimore | Maryland Live | Hollywood<br>Perryville | Ocean Downs | Rocky Gap | Subtotal<br>Maryland<br>Casinos | Delaware<br>Casinos | Pennsylvania<br>Casinos | Hollywood<br>Charles Town | Atlantic City | Total       |
| Maryland                | 33%                    | 34%           | 5%                      | 1%          | 1%        | 74%                             | 9%                  | 4%                      | 10%                       | 2%            | 100%        |
| Pennsylvania            | 2%                     | 2%            | 1%                      | 0%          | 0%        | 6%                              | 6%                  | 79%                     | 3%                        | 7%            | 100%        |
| Delaware                | 1%                     | 2%            | 3%                      | 2%          | 0%        | 8%                              | 71%                 | 11%                     | 0%                        | 10%           | 100%        |
| New Jersey              | 1%                     | 0%            | 1%                      | 0%          | 0%        | 2%                              | 6%                  | 50%                     | 0%                        | 43%           | 100%        |
| Virginia                | 14%                    | 27%           | 1%                      | 0%          | 0%        | 42%                             | 7%                  | 4%                      | 46%                       | 0%            | 100%        |
| West Virginia           | 2%                     | 3%            | 0%                      | 0%          | 1%        | 5%                              | 0%                  | 1%                      | 94%                       | 0%            | 100%        |
| District of Columbia    | 20%                    | 53%           | 2%                      | 0%          | 0%        | 74%                             | 11%                 | 4%                      | 11%                       | 0%            | 100%        |
| <b>Total</b>            | <b>15%</b>             | <b>18%</b>    | <b>3%</b>               | <b>1%</b>   | <b>1%</b> | <b>37%</b>                      | <b>12%</b>          | <b>32%</b>              | <b>12%</b>                | <b>7%</b>     | <b>100%</b> |

# HORSESHOE BALTIMORE LOCAL MARKET REVENUE

| Revenue Source     | Revenue      | % of Total  |
|--------------------|--------------|-------------|
| Market Growth      | \$102        | 24%         |
| Capture MD Casinos | \$182        | 42%         |
| Capture DE Casinos | \$38         | 9%          |
| Capture WV Casinos | \$55         | 13%         |
| Capture NJ Casinos | \$15         | 4%          |
| Capture PA Casinos | \$38         | 9%          |
| <b>Total</b>       | <b>\$431</b> | <b>100%</b> |

# TOTAL GAMING REVENUE – HORSESHOE BALTIMORE (FY16)

| Component    | Gamer Visits | Win / Visit   | Gaming Revenue | % of Total    |
|--------------|--------------|---------------|----------------|---------------|
| Local Market | 6.0          | ▼ \$71        | \$430.5        | 94.7%         |
| Tourist      | 0.2          | ▼ \$98        | \$23.9         | 5.3%          |
| <b>Total</b> | <b>6.3</b>   | <b>▼ \$72</b> | <b>\$454.4</b> | <b>100.0%</b> |

- Includes about \$24 million from Tourists
  - Considers the roughly 10,100 Hotel Rooms in Downtown Baltimore
  - Considers Orioles and Ravens Attendance
- Brings Total Gaming to \$454 million in FY16

# IMPACT ON EXISTING MARYLAND CASINOS

## Impact Summary (millions) - FY 2016

| Maryland Property    | Baseline Forecast | Pro Forma Forecast | Change         | % Change     |
|----------------------|-------------------|--------------------|----------------|--------------|
| Horseshoe Baltimore  | \$0.0             | \$454.4            | \$454.4        | NM           |
| Maryland Live        | \$704.3           | \$542.3            | -\$162.0       | -23.0%       |
| Hollywood Perryville | \$97.1            | \$78.6             | -\$18.5        | -19.1%       |
| Ocean Downs          | \$62.5            | \$61.9             | -\$0.5         | -0.9%        |
| Rocky Gap            | \$50.5            | \$49.5             | -\$1.0         | -2.0%        |
| <b>Total</b>         | <b>\$914.3</b>    | <b>\$1,186.7</b>   | <b>\$272.4</b> | <b>29.8%</b> |

\$182 mil



# MARYLAND FORECAST SUMMARY

## Table Revenue (millions)

| Property             | FY 2014        | % Change   | FY 2015        | % Change  | FY 2016        |
|----------------------|----------------|------------|----------------|-----------|----------------|
| Horseshoe Baltimore  | \$0.0          | NM         | \$120.4        | 28%       | \$154.5        |
| Maryland Live        | \$215.0        | -15%       | \$183.3        | -5%       | \$173.5        |
| Hollywood Perryville | \$14.3         | -12%       | \$12.6         | -4%       | \$12.2         |
| Ocean Downs          | \$0.0          | NM         | \$8.7          | 3%        | \$9.0          |
| Rocky Gap            | \$6.1          | 4%         | \$6.3          | 3%        | \$6.5          |
| <b>Total</b>         | <b>\$235.4</b> | <b>41%</b> | <b>\$331.3</b> | <b>7%</b> | <b>\$355.7</b> |

## Slot Revenue (millions)

| Property             | FY 2014        | % Change   | FY 2015        | % Change  | FY 2016        |
|----------------------|----------------|------------|----------------|-----------|----------------|
| Horseshoe Baltimore  | \$0.0          | NM         | \$233.7        | 28%       | \$299.9        |
| Maryland Live        | \$451.5        | -15%       | \$383.4        | -4%       | \$368.7        |
| Hollywood Perryville | \$78.7         | -13%       | \$68.5         | -3%       | \$66.4         |
| Ocean Downs          | \$51.3         | 1%         | \$52.0         | 2%        | \$52.9         |
| Rocky Gap            | \$40.5         | 4%         | \$42.1         | 2%        | \$43.0         |
| <b>Total</b>         | <b>\$622.0</b> | <b>25%</b> | <b>\$779.6</b> | <b>7%</b> | <b>\$831.0</b> |