



# DSR STOCK CARD

01/02/2020

## MGP GROWTH PROPERTIES (MGP)

### Business Model

MGM Growth Properties LLC is a real estate investment trust engaged in owning, acquiring and leasing large-scale casino resort properties, including casino gaming, hotel, convention, dining, entertainment, retail and mixed-use facilities, and other resort amenities. The company's property portfolio consists of entertainment and gaming-related properties located on the Las Vegas Strip like Mandalay Bay, The Mirage, Monte Carlo, New York-New York, Luxor and Excalibur, and The Park, a dining and entertainment complex located between New York-New York and Monte Carlo. It owns casino resort properties MGM Grand Detroit in Detroit, Michigan, Beau Rivage and Gold Strike Tunica, located in Mississippi, Borgata in Atlantic City, New Jersey, and MGM National Harbor in Prince George's County, Maryland.

### The Company in a Nutshell

- The REIT is focused on growing by acquisitions.
- MGP is a triple-net lease (tenants pays for property expenses, insurances, taxes and CAPEX).
- The gaming REIT is a relatively “new game” with a limited number of players.

### Investment Thesis

MGP's main growth vector is acquisition as the gaming industry is mature in the U.S. However, about 30 to 40% of all properties are owned by REITs in this industry. This leave lots of growth potential for the upcoming years. Since its IPO in 2016, the company shows almost \$5B in acquisitions. The REIT makes most of its money from Las Vegas properties (45%), but is still active through regional casinos. At this time, being a pure play on the U.S. economy may be a good thing. MGP offers a stable dividend with good growth potential.

## VALUATION

Dividend Growth Rate Years 1-10: 6%

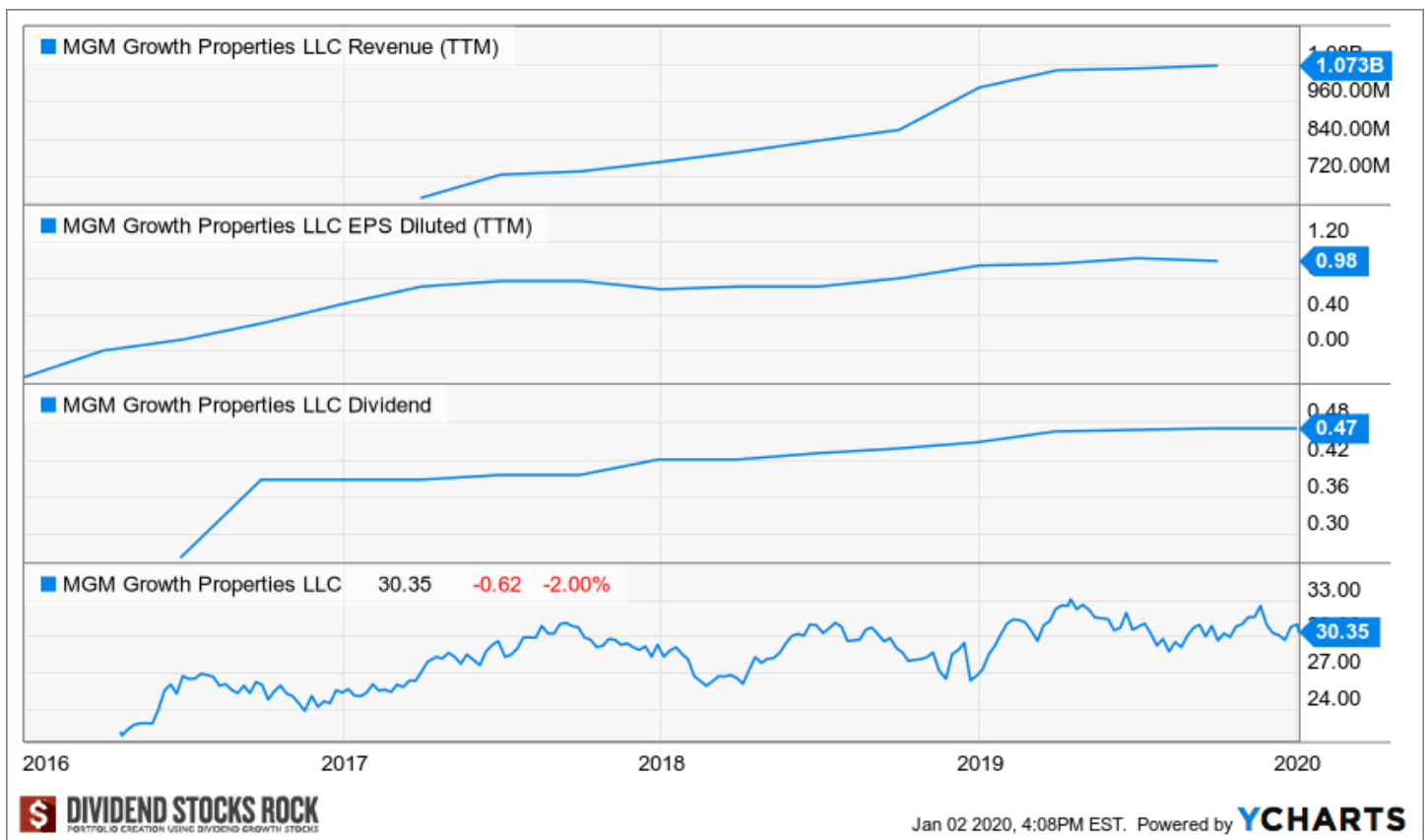
Terminal Dividend Growth Rate: 4%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$54.91	\$45.51	\$38.80
10% Premium	\$50.33	\$41.71	\$35.57
Intrinsic Value	\$45.76	<b>\$37.92</b>	\$32.34
10% Discount	\$41.18	\$34.13	\$29.10
20% Discount	\$36.61	\$30.34	\$25.87



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## Potential Risks

Assessing a relatively new type of business with limited comparable is always tricky. While casinos and the gaming industry are old businesses, the option of investing in MGP has only been available a few years ago. The REIT is solely established in the U.S. and this had paid off as it can surf on strong economic trends. Keep in mind that this industry is capital intensive and tenants will find their rent quite steep during economic downturns. To grow, MGP needs capital to make acquisitions. This means more units or more debts. In both cases, investors must follow how MGP grows its FFO and AFFO per unit to assure that the dividend is safe.

## Dividend Growth Perspective

MGP is a new dividend payer as the stock started trading after its IPO in 2016. The REIT has successfully increased its dividend each year since then. In fact, management has been proven to be generous with more than one dividend increase on several occasions. Don't follow its payout ratio as it is not a valid metric for REITs. During their Q3 2019 (November 2019), the REIT posted FFO and AFFO of \$0.51 and \$0.59 respectively. This leads us to think the dividend is safe and should continue to increase in the upcoming years. Considering MGP's relatively high yield and safe dividend, you can definitely consider it for your retirement portfolio.