



# NUGGET CASINO RESORT AND RENO-SPARKS SUPPLEMENT

February 2022



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# Executive Summary



- Century Casinos, Inc. ("Century" or the "Company") has entered into a definitive agreement with Marnell Gaming, LLC to acquire 100% of Nugget Sparks, LLC ("OpCo") or Nugget Casino Resort ("Nugget") and 50% of Smooth Bourbon, LLC ("PropCo") for \$195 million
  - Represents a purchase price multiple of ~7.8x LTM 12/31/2021 Further Adjusted EBITDA<sup>1</sup> of \$25 million and is expected to close within 12 months pending receipt of regulatory approvals
  - The Company will have a five-year option to purchase the remaining 50% of PropCo for \$105 million plus 2% per annum
  - The acquisition of OpCo is expected to meaningfully enhance the Company's free cash flow as well as be immediately accretive to earnings
- The Nugget is a full service casino resort located in the attractive Reno-Sparks gaming market with over 50,000 sq. ft. of gaming space, two hotel towers and over 100,000 sq. ft. of convention space
  - The Nugget represents an attractive opportunity to acquire a newly renovated asset in an attractive gaming market that increases the scale and diversity of Century's financial profile
  - For the LTM period ended 12/31/21, the Nugget generated revenue of \$100 million and Adjusted EBITDA<sup>1</sup> of \$33 million



1. Further Adjusted EBITDA and Adjusted EBITDA are non-GAAP financial measures. See Appendix A.

# Nugget Casino Resort Property Overview



## Key Highlights

- The **newly remodeled** Nugget Casino is **conveniently located** on route I-80 with easy access from the airport
- The **full-service resort** boasts a large gaming floor, two hotel towers, a convention space, outdoor amphitheater, and a wide variety of casual and fine dining options in addition to several on-site bars and lounges
- Reno/Sparks is a **top 15 gaming market** in the U.S.
- This location has the **2<sup>nd</sup> largest hotel conference center** in Reno, as well as a recently built a state-of-the-art **8,555-seat outdoor venue**
- The Reno-Tahoe airport is undergoing a \$1.6bn master expansion plan with recent non-stop service added to NYC, Houston, and Austin



Source: American Gaming Association "State of the States 2021"

## Property Stats

<b>Owned Land Acreage</b>	<b>Casino Sq. Ft.</b>
29	50,200
<b>Recent Renovation</b>	<b>Slots</b>
\$90+mm	859
<b>Full-time Equivalent Employees</b>	<b>Table Games</b>
576	29
<b>Rooms</b>	<b>Restaurants</b>
1,382	7
<b>Convention Space</b>	<b>Amphitheater Seats</b>
110,000 Sq. Ft.	8,555
<b>2021 Revenue</b>	<b>2021 Adjusted EBITDA (Margin)</b>
\$100mm	\$33mm (33%)

# Strategic Rationale and Investment Highlights



## Expand Century's U.S. Footprint and Enter Fast Growing Reno Market

- Offers Century an entry into the state of Nevada and a high-profile, top 15 U.S. gaming market<sup>1</sup> that has a revitalized and growing economic base
- Ideally positioned to benefit from economic growth of the Reno-Sparks area, fueled by a favorable business environment that attracts leading technology and manufacturing companies including Google, Tesla, Switch, Amazon and Apple
- Established database of over 80,000 customers that draws locals and tourists to the property

## Newly Remodeled, Turnkey Casino Resort

- Prior owners invested over \$90mm since 2016 on top-to-bottom renovations including:
  - Fully remodeled casino with replacement of table games, other equipment and furniture
  - Redesigned hotel rooms with Modern Sierra theme throughout hotel and towers
  - Significant upgrades of equipment in all kitchens
  - 110,000 sq. ft. of remodeled convention space
  - Brand new state-of-the-art 8,555-seat outdoor concert venue to feature top names

## Inherent Value of Real Estate with Space to Grow

- Ownership stake in the property further diversifies Century's portfolio of owned and operated casino properties
- Property is on 29 acres of owned land with room for expansion, including a grandfathered license to build an additional non-hotel casino

## Strong Historical Performance Despite Multi-Year Disruption

- The Nugget has a strong track record of profitable growth despite multi-year renovations
- Management made a number of key operating improvements despite contending with renovation disruption since 2016 that periodically limited capacity in different parts of the casino resort:
  - Creation of a robust customer loyalty program and expansion of the customer database
  - Implementation of creative marketing events including shows, concerts and cook-offs
- 2017-2021 revenue and Adjusted EBITDA CAGRs of 4.5% and 18.3% respectively

1. According to American Gaming Association "State of the States 2021".



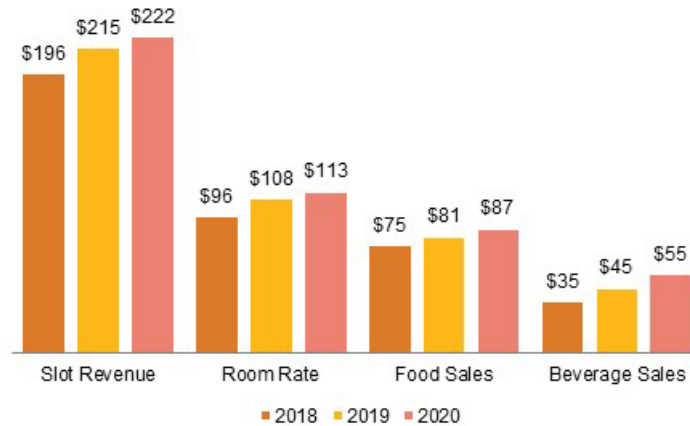
# Reno-Sparks Developments Driving Significant Untapped Potential in the Current Market



## Area Highlights

- Reno-Sparks is **famous for its casinos, but is also known as a destination for outdoor recreation** with proximity to Lake Tahoe and several ski resorts
- In 2021, **53% of revenue was generated through casinos**, 20% through food and beverage, 18% through hotels, and the remaining 9% from miscellaneous income
- Current home to Tesla Gigafactory, Apple, Switch Data Center and Walmart Distribution
- Reno-Sparks has 20 locations with slot machines and 24 locations with tables<sup>1</sup>

## Reno-Sparks Average Per Room Per Day Statistics



## Considerable Development Opportunities in the Area



Tesla Gigafactory presents an opportunity to employ 20,000+ workers in the Reno-Sparks area



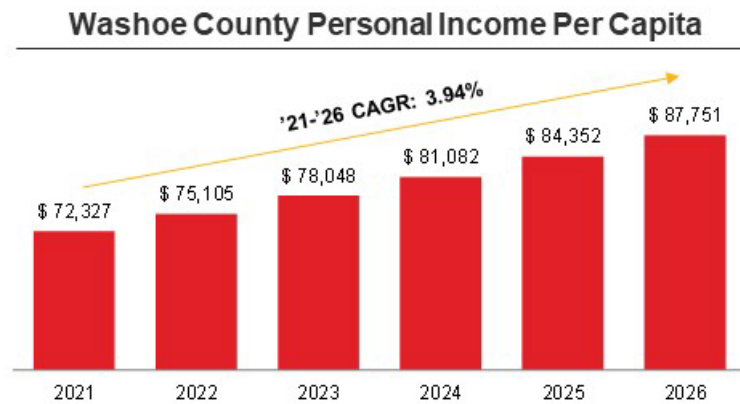
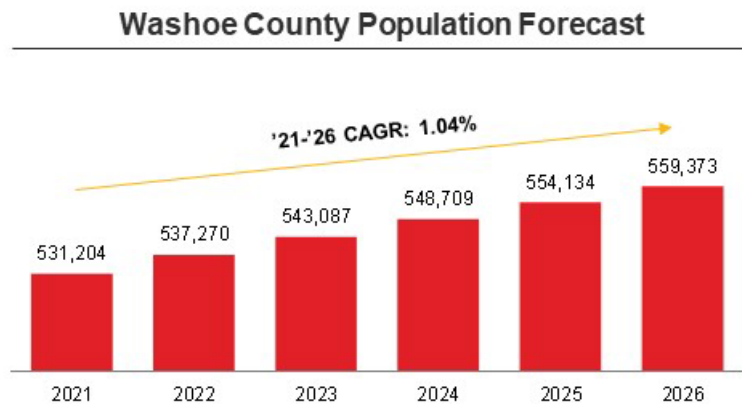
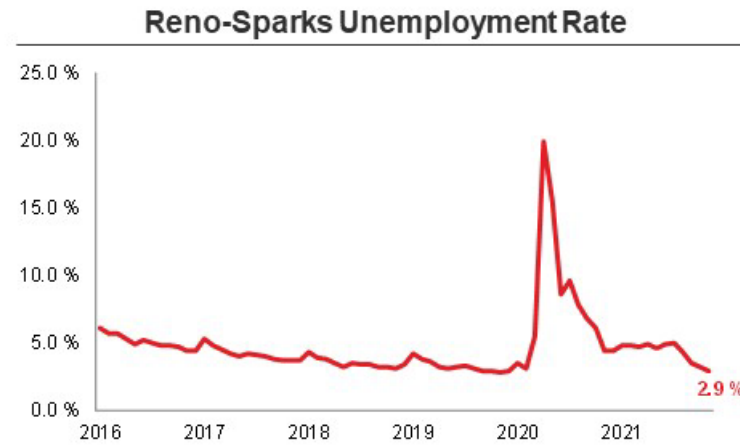
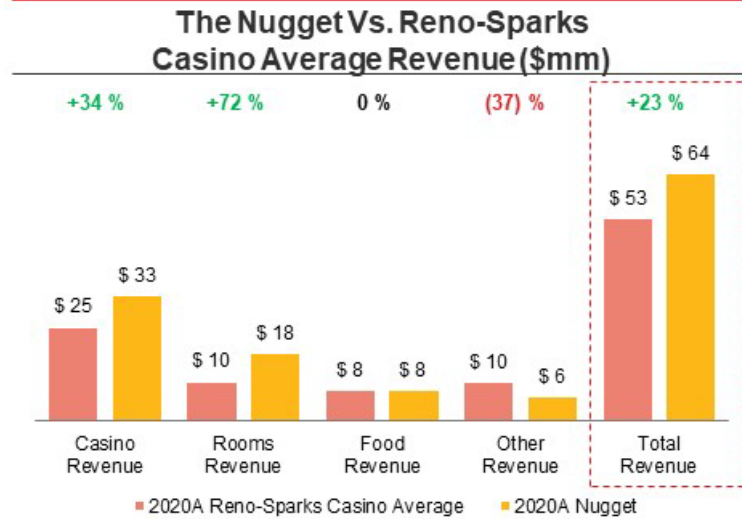
Google purchased 1,200+ acres in 2017, creating the capacity to hire tens of thousands of employees



Blockchains LLC purchased 64,000 acres in 2018, with plans to build a blockchain-based community

Source: Nevada Gaming Control Board, UNLV Gaming Research, Reno.gov, Industry Research  
1. As of December 31, 2021.

# Reno-Sparks Economy Poised for Continued Growth



Source: Reno.gov, U.S. Bureau of Labor Statistics, MVE Reno-Sparks Market Overview, Washoe County Consensus Forecast, Industry Research, UNLV Centre for Gaming Research  
 Note: Total Revenue may not sum due to rounding.

# Robust Historical Financial Performance

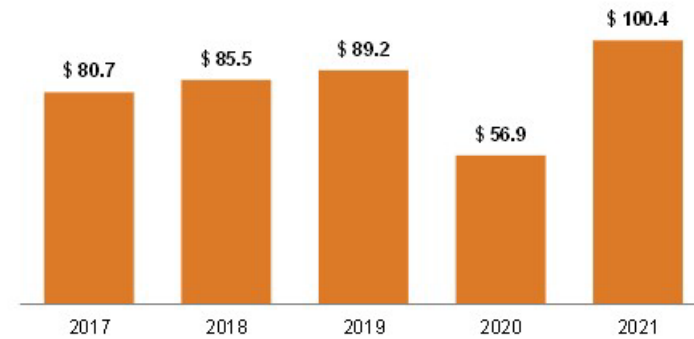


\$ in millions

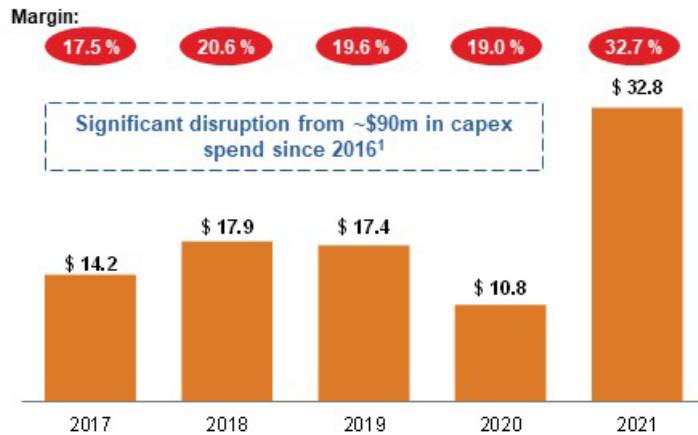
## Key Highlights

- Stable topline performance
- Strong recovery out of the Covid-19 pandemic with meaningful margin expansion
- Significant growth and maintenance capex with \$90mm+ being spent from 2016 to 2021 making the Nugget a well-invested asset

## Revenue



## Adjusted EBITDA and Margin



## CapEx



1. Renovations represent growth and maintenance CapEx including \$8.5mm in 2018.



# Appendix A



The Company defines Adjusted EBITDA as net earnings (loss) attributable to Century Casinos, Inc. shareholders before interest expense (income), net, income taxes (benefit), depreciation and amortization, non-controlling interests net earnings (loss) and transactions, pre-opening expenses, acquisition costs, non-cash stock-based compensation charges, asset impairment costs, (gain) loss on disposition of fixed assets, discontinued operations, (gain) loss on foreign currency transactions, cost recovery income and other, gain on business combination and certain other one-time transactions. With respect to OpCo and the Nugget Casino Resort, Adjusted EBITDA also excludes one-time bonuses paid to OpCo employees related to the COVID-19 pandemic. Expense related to the Company's Master Lease and Century Downs Racetrack and Casino land lease is included in the interest expense (income), net line item. Intercompany transactions consisting primarily of management and royalty fees and interest, along with their related tax effects, are excluded from the presentation of net earnings (loss) attributable to Century Casinos, Inc. shareholders and Adjusted EBITDA. Not all of the aforementioned items occur in each reporting period, but have been included in the definition based on historical activity. These adjustments have no effect on the consolidated results as reported under US GAAP. Adjusted EBITDA is not considered a measure of performance recognized under US GAAP. Management believes that Adjusted EBITDA is a valuable measure of the relative performance of the Company and its properties. The gaming industry commonly uses Adjusted EBITDA as a method of arriving at the economic value of a casino operation. Management uses Adjusted EBITDA to compare the relative operating performance of separate operating units by eliminating the above-mentioned items associated with the varying levels of capital expenditures for infrastructure required to generate revenue and the often high cost of acquiring existing operations. Adjusted EBITDA is used by the Company's lending institution to gauge operating performance. The Company's computation of Adjusted EBITDA may be different from, and therefore may not be comparable to, similar measures used by other companies within the gaming industry. With respect to OpCo and the Nugget Casino Resort, Adjusted EBITDA also excludes one-time bonuses paid to OpCo employees related to the COVID-19 pandemic and rent expense, and the Further Adjusted EBITDA multiple described above also excludes pro forma rent expense payable by OpCo to PropCo.

The table below provides a reconciliation of OpCo Adjusted EBITDA to Net Earnings.

	<b>For the year ended December 31, 2021<sup>(1)</sup></b>	
Net earnings	\$	16.0
Interest expense (income), net		0.9
Depreciation and amortization		13.9
Management fees		1.0
One time bonus		0.7
Rent expense		0.3
Adjusted EBITDA	\$	<u>32.8</u>

1. Preliminary and unaudited.