

Pinnacle Entertainment, Inc.
Form 10-Q
August 10, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

or

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

For the transition period from _____ to _____

Commission file number: 001-37666

PINNACLE ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

47-4668380

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3980 Howard Hughes Parkway

Las Vegas, NV 89169

(Address of principal executive offices) (Zip Code)

(702) 541-7777

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

(Do not check if a smaller reporting 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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As of the close of business on August 7, 2017, the number of outstanding shares of the registrant's common stock was 57,777,646.

PINNACLE ENTERTAINMENT, INC.

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Exhibit 11

Exhibit 31.1

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EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

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PART I

Item 1. Financial Statements

PINNACLE ENTERTAINMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(amounts in thousands, except per share data)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Revenues:				
Gaming	\$581,974	\$505,698	\$1,156,143	\$1,026,539
Food and beverage	33,974	29,746	67,229	61,741
Lodging	13,475	13,134	25,462	24,381
Retail, entertainment and other	24,219	17,654	44,782	33,596
Total revenues	653,642	566,232	1,293,616	1,146,257
Expenses and other costs:				
Gaming	316,234	266,659	629,473	533,792
Food and beverage	32,277	28,182	63,691	58,092
Lodging	6,501	6,175	12,563	11,783
Retail, entertainment and other	11,638	6,887	19,930	11,400
General and administrative	114,659	127,006	227,274	231,868
Depreciation and amortization	56,157	53,973	112,175	108,069
Pre-opening, development and other costs	1,795	44,028	2,594	49,357
Impairment of goodwill	—	332,900	—	332,900
Impairment of other intangible assets	—	129,500	—	129,500
Write-downs, reserves and recoveries, net	7,928	4,750	8,452	7,640
Total expenses and other costs	547,189	1,000,060	1,076,152	1,474,401
Operating income (loss)	106,453	(433,828)	217,464	(328,144)
Interest expense, net	(96,630)	(85,047)	(190,738)	(144,840)
Loss on early extinguishment of debt	—	(5,207)	—	(5,207)
Loss from equity method investment	(90)	(90)	(90)	(90)
Income (loss) from continuing operations before income taxes	9,733	(524,172)	26,636	(478,281)
Income tax benefit (expense)	(1,307)	34,970	(1,002)	29,972
Income (loss) from continuing operations	8,426	(489,202)	25,634	(448,309)
Income from discontinued operations, net of income taxes	—	271	—	396
Net income (loss)	8,426	(488,931)	25,634	(447,913)
Less: Net loss attributable to non-controlling interest	951	7	960	15
Net income (loss) attributable to Pinnacle Entertainment, Inc.	\$9,377	\$(488,924)	\$26,594	\$(447,898)
Net income (loss) per common share—basic				
Income (loss) from continuing operations	\$0.17	\$(8.04)	\$0.47	\$(7.34)
Income from discontinued operations, net of income taxes	—	0.00	—	0.01
Net income (loss) per common share—basic	\$0.17	\$(8.04)	\$0.47	\$(7.33)
Net income (loss) per common share—diluted				
Income (loss) from continuing operations	\$0.15	\$(8.04)	\$0.43	\$(7.34)
Income from discontinued operations, net of income taxes	—	0.00	—	0.01
Net income (loss) per common share—diluted	\$0.15	\$(8.04)	\$0.43	\$(7.33)
Number of shares—basic	56,648	60,791	56,314	61,077
Number of shares—diluted	61,884	60,791	61,463	61,077

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (UNAUDITED)
 (amounts in thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$8,426	\$(488,931)	\$25,634	\$(447,913)
Comprehensive income (loss)	8,426	(488,931)	25,634	(447,913)
Less: Comprehensive loss attributable to non-controlling interest	951	7	960	15
Comprehensive income (loss) attributable to Pinnacle Entertainment, Inc.	\$9,377	\$(488,924)	\$26,594	\$(447,898)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (amounts in thousands, except share data)

	June 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 159,117	\$ 185,093
Accounts receivable, net of allowance for doubtful accounts of \$5,949 and \$5,282	34,808	42,997
Inventories	10,596	9,967
Prepaid expenses and other assets	32,672	17,760
Total current assets	237,193	255,817
Land, buildings, vessels and equipment, net	2,696,084	2,768,491
Goodwill	610,889	610,889
Other intangible assets, net	388,028	392,398
Other assets, net	50,027	49,472
Total assets	\$ 3,982,221	\$ 4,077,067
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 42,302	\$ 69,069
Accrued interest	5,134	5,286
Accrued compensation	58,002	72,939
Accrued taxes	52,893	58,207
Current portion of long-term debt	10,758	12,258
Current portion of long-term financing obligation	44,988	49,770
Other accrued liabilities	85,655	91,062
Total current liabilities	299,732	358,591
Long-term debt less current portion	875,856	924,442
Long-term financing obligation less current portion	3,094,275	3,113,529
Deferred income taxes	13,398	13,242
Other long-term liabilities	38,708	40,143
Total liabilities	4,321,969	4,449,947
Commitments and contingencies (Note 8)		
Stockholders' Deficit:		
Preferred stock—\$0.01 par value, 250,000 shares authorized, none issued or outstanding	—	—
Common stock—\$0.01 par value, 150,000,000 authorized, 57,777,646 and 55,812,425 shares issued and outstanding, net of treasury shares	640	620
Additional paid-in capital	927,452	919,974
Accumulated deficit	(1,207,225)	(1,233,819)
Accumulated other comprehensive income	326	326
Treasury stock, at cost, 6,220,969 and 6,209,541 of treasury shares	(70,166)	(70,166)
Total Pinnacle stockholders' deficit	(348,973)	(383,065)
Non-controlling interest	9,225	10,185
Total stockholders' deficit	(339,748)	(372,880)
Total liabilities and stockholders' deficit	\$ 3,982,221	\$ 4,077,067

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

(UNAUDITED)

(amounts in thousands)

	Capital Stock				Accumulated	Treasury	Total	Non-Controlling	Total
	Number	Common	Additional	Accumulated	Other	Stock	Pinnacle	Interest	Stockholders'
	of	Stock	Paid-In	Deficit	Compreh		Stockholders		Deficit
	Shares		Capital		Income		Deficit		
Balance as of January 1, 2017	55,812	\$ 620	\$919,974	\$(1,233,819)	\$ 326	\$(70,166)	\$(383,065)	\$ 10,185	\$(372,880)
Net income (loss)	—	—	—	26,594	—	—	26,594	(960)	25,634
Share-based compensation	—	—	6,711	—	—	—	6,711	—	6,711
Common stock issuance and option exercises	1,977	20	2,463	—	—	—	2,483	—	2,483
Forfeiture of restricted stock awards	(11)	—	—	—	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(1,696)	—	—	—	(1,696)	—	(1,696)
Balance as of June 30, 2017	57,778	\$ 640	\$927,452	\$(1,207,225)	\$ 326	\$(70,166)	\$(348,973)	\$ 9,225	\$(339,748)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)
 (amounts in thousands)

	For the six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$25,634	\$(447,913)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	112,175	108,069
Loss on sales or disposals of long-lived assets, net	4,750	6,925
Loss from equity method investment	90	90
Loss on early extinguishment of debt	—	5,207
Impairment of goodwill	—	332,900
Impairment of other intangible assets	—	129,500
Impairment of held-to-maturity securities	3,844	—
Impairment of long-lived assets	—	215
Amortization of debt issuance costs and debt discounts/premiums	5,189	4,952
Share-based compensation expense	6,711	30,039
Change in income taxes	(1,793)	(35,304)
Changes in operating assets and liabilities:		
Receivables, net	8,189	4,181
Prepaid expenses and other	(19,825)	(15,176)
Accounts payable, accrued expenses and other	(53,939)	(36,634)
Net cash provided by operating activities	91,025	87,051
Cash flows from investing activities:		
Capital expenditures	(38,684)	(47,555)
Net proceeds from disposition of asset held for sale	—	325
Proceeds from sales of furniture, fixtures and equipment	74	51
Loans receivable	(1,250)	(750)
Restricted cash	865	—
Net cash used in investing activities	(38,995)	(47,929)
Cash flows from financing activities:		
Proceeds from Senior Secured Credit Facilities	324,700	600,800
Repayments under Senior Secured Credit Facilities	(379,195)	(136,800)
Proceeds from Former Senior Secured Credit Facilities	—	134,500
Repayments under Former Senior Secured Credit Facilities	—	(1,011,285)
Proceeds from issuance of long-term debt	—	375,000
Repayments under financing obligation	(24,036)	(7,791)
Proceeds from common stock options exercised	2,483	373
Purchase of treasury stock	—	(23,729)
Debt issuance costs and debt discount	—	(13,812)
Other	(1,958)	(1,038)
Net cash used in financing activities	(78,006)	(83,782)
Change in cash and cash equivalents	(25,976)	(44,660)
Cash and cash equivalents at the beginning of the period	185,093	164,034
Cash and cash equivalents at the end of the period	\$159,117	\$119,374

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Supplemental Cash Flow Information:

Cash paid for interest, net of amounts capitalized	\$185,904	\$149,716
Cash payments related to income taxes, net	\$2,677	\$4,339
Increase in construction-related deposits and liabilities	\$1,578	\$2,926
Non-cash issuance of common stock	\$—	\$686
Non-cash retirement of debt in connection with Spin-Off and Merger	\$—	\$(2,761,287)
Non-cash settlement of accrued interest in connection with Spin-Off and Merger	\$—	\$(34,133)
Non-cash recognition of financing obligation	\$—	\$3,194,287

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

Note 1—Organization and Summary of Significant Accounting Policies

Organization: Pinnacle Entertainment, Inc. is an owner, operator and developer of casinos and related hospitality and entertainment businesses. References in these footnotes to “Pinnacle,” the “Company,” “we,” “our” or “us” refer to Pinnacle Entertainment, Inc. and its subsidiaries, except where stated or the context otherwise indicates. References to “Former Pinnacle” refer to Pinnacle Entertainment, Inc. prior to the Spin-Off and Merger (as such terms are defined below).

We own and operate 16 gaming, hospitality and entertainment businesses, of which 15 operate in leased facilities. Our owned facility is located in Ohio and our leased facilities are located in Colorado, Indiana, Iowa, Louisiana, Mississippi, Missouri, Nevada and Pennsylvania, subject to either the Master Lease or the Meadows Lease (as such terms are defined below). We also hold a majority interest in the racing license owner, and we are a party to a management contract, for Retama Park Racetrack located outside of San Antonio, Texas. We view each of our operating businesses as an operating segment with the exception of our two businesses in Jackpot, Nevada, which we view as one operating segment. For financial reporting purposes, we aggregate our operating segments into the following reportable segments:

Midwest segment, which includes:		Location
Ameristar Council Bluffs (1)		Council Bluffs, Iowa
Ameristar East Chicago (1)		East Chicago, Indiana
Ameristar Kansas City (1)		Kansas City, Missouri
Ameristar St. Charles (1)		St. Charles, Missouri
Belterra Resort (1)		Florence, Indiana
Belterra Park		Cincinnati, Ohio
Meadows (2)		Washington, Pennsylvania
River City (1)		St. Louis, Missouri

South segment, which includes:		Location
Ameristar Vicksburg (1)		Vicksburg, Mississippi
Boomtown Bossier City (1)		Bossier City, Louisiana
Boomtown New Orleans (1)		New Orleans, Louisiana
L’Auberge Baton Rouge (1)		Baton Rouge, Louisiana
L’Auberge Lake Charles (1)		Lake Charles, Louisiana

West segment, which includes:		Location
Ameristar Black Hawk (1)		Black Hawk, Colorado
Cactus Petes and Horseshu (1)		Jackpot, Nevada

(1) We lease the real estate associated with these gaming facilities under the terms of the Master Lease.

(2) The Meadows Racetrack and Casino (the “Meadows”) was acquired on September 9, 2016, as discussed below. We lease the real estate associated with this gaming facility under the terms of the Meadows Lease.

On April 28, 2016, Former Pinnacle completed the transactions under the terms of a definitive agreement (the “Merger Agreement”) with Gaming and Leisure Properties, Inc. (“GLPI”), a real estate investment trust. Pursuant to the terms of the Merger Agreement, Former Pinnacle separated its operating assets and liabilities (and its Belterra Park property and excess land at certain locations) into the Company, a newly formed subsidiary, and distributed to its stockholders, on a pro rata basis, all of the issued and outstanding shares of common stock of the Company (such distribution referred to as the “Spin-Off”). As a result, Former Pinnacle stockholders received one share of the Company’s common

stock, with a par value of \$0.01 per share, for each share of Former Pinnacle common stock that they owned. Gold Merger Sub, LLC, a wholly owned subsidiary of GLPI (“Merger Sub”), then merged with and into Former Pinnacle (the “Merger”), with Merger Sub surviving the Merger as a wholly owned subsidiary of GLPI. Immediately following the Merger, the Company was renamed Pinnacle Entertainment, Inc., and operates its gaming businesses in the facilities acquired by GLPI under a triple-net master lease agreement (the “Master Lease”). For more information regarding the Spin-Off and Merger, see Note 2, “Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease.”

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Former Pinnacle's historical consolidated financial statements and accompanying notes thereto were determined to represent the Company's historical consolidated financial statements based on the conclusion that, for accounting purposes, the Spin-Off was to be evaluated as the reverse of its legal form under the requirements of Accounting Standards Codification ("ASC") Subtopic 505-60, Spinoffs and Reverse Spinoffs, resulting in the Company being considered the accounting spinor. In addition, the Master Lease of the gaming facilities acquired by GLPI did not qualify for sale-leaseback accounting pursuant to ASC Topic 840, Leases. Therefore, the Master Lease is accounted for as a financing obligation and the gaming facilities remain on the Company's unaudited Condensed Consolidated Financial Statements.

On September 9, 2016, we closed on a purchase agreement (the "Purchase Agreement") with GLP Capital, L.P. ("GLPC"), a subsidiary of GLPI, pursuant to which we acquired all of the equity interests of the Meadows located in Washington, Pennsylvania for base consideration of \$138.0 million, subject to certain adjustments. The purchase price, after giving effect to such adjustments was \$134.0 million and the cash paid for the Meadows business, net of cash acquired was \$107.5 million. As a result of the transaction, we own and operate the Meadows' gaming entertainment and harness racing business subject to a triple-net lease of its underlying real property with GLPI (the "Meadows Lease"). See Note 2, "Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease," and Note 7, "Investment and Acquisition Activities."

Basis of Presentation: The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions of the Securities and Exchange Commission (the "SEC") to the Quarterly Report on Form 10-Q and, therefore, do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles in the United States ("GAAP"). The results for the periods indicated are unaudited, but reflect all adjustments, which are of a normal recurring nature, that management considers necessary for a fair presentation of operating results. The results of operations for interim periods are not indicative of a full year of operations. These unaudited Condensed Consolidated Financial Statements and notes thereto should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2016.

Principles of Consolidation: The unaudited Condensed Consolidated Financial Statements include the accounts of Pinnacle Entertainment, Inc. and its subsidiaries. Investments in the common stock of unconsolidated affiliates in which we have the ability to exercise significant influence are accounted for under the equity method. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and (iii) the reported amounts of revenues and expenses during the reporting period. Estimates used by us include, among other things, the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, estimated income tax provisions, the evaluation of the future realization of deferred tax assets, determining the adequacy of reserves for self-insured liabilities and our guest loyalty programs, the initial measurement of the financing obligation associated with the Master Lease, estimated cash flows in assessing the recoverability of long-lived assets, asset impairments, goodwill and other intangible assets, contingencies and litigation, and estimates of the forfeiture rate and expected term of share-based awards and stock price volatility when computing share-based compensation expense. Actual results may differ from those estimates.

Fair Value: Fair value measurements affect our accounting and impairment assessments of our long-lived assets, investments in unconsolidated affiliates, assets acquired in an acquisition, goodwill, and other intangible assets. Fair value measurements also affect our accounting for certain financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date and is measured according to a hierarchy that includes: “Level 1” inputs, such as quoted prices in an active market for identical assets or liabilities; “Level 2” inputs, which are observable inputs for similar assets; or “Level 3” inputs, which are unobservable inputs.

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The following table presents a summary of fair value measurements by level for certain financial instruments not measured at fair value on a recurring basis in the unaudited Condensed Consolidated Balance Sheets for which it is practicable to estimate fair value:

	Total Carrying Amount	Total Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
(in millions)					
As of June 30, 2017					
Assets:					
Held-to-maturity securities	\$10.4	\$10.4	\$—	\$7.5	\$2.9
Promissory notes	\$16.9	\$17.2	\$—	\$17.2	\$—
Liabilities:					
Long-term debt	\$886.6	\$914.5	\$—	\$914.5	\$—
Other long-term liabilities	\$5.3	\$5.3	\$—	\$5.3	\$—
As of December 31, 2016					
Assets:					
Held-to-maturity securities	\$14.3	\$16.4	\$—	\$13.4	\$3.0
Promissory notes	\$15.6	\$19.8	\$—	\$19.8	\$—
Liabilities:					
Long-term debt	\$936.7	\$953.2	\$—	\$953.2	\$—
Other long-term liabilities	\$5.5	\$5.6	\$—	\$5.6	\$—

The estimated fair values for certain of our long-term held-to-maturity securities and our long-term promissory notes were based primarily on Level 2 inputs using observable market data. The estimated fair values of certain of our other long-term liabilities were based on Level 2 inputs using a present value of future cash flow valuation technique, which is based on contractually obligated payments and terms.

The estimated fair values for certain of our long-term held-to-maturity securities were based on Level 3 inputs using a present value of future cash flow valuation technique that relies on management assumptions and qualitative observations. Key significant unobservable inputs in this technique include discount rate risk premiums and probability-weighted cash flow scenarios.

The estimated fair values of our long-term debt, which include our 5.625% Notes and Senior Secured Credit Facilities (as such terms are defined in Note 3, "Long-Term Debt"), were based on Level 2 inputs of observable market data on comparable debt instruments on or about June 30, 2017 and December 31, 2016, as applicable.

The fair values of our short-term financial instruments approximate the carrying amounts due to their short-term nature.

Land, Buildings, Vessels and Equipment: Land, buildings, vessels and equipment are stated at cost. We capitalize the costs of improvements that extend the life of the asset. We expense repair and maintenance costs as incurred. Gains or losses on the disposition of land, buildings, vessels and equipment are included in the determination of income.

We review the carrying amounts of our land, buildings, vessels and equipment used in our operations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from estimated

future undiscounted cash flows expected to result from its use and eventual disposition. If the undiscounted cash flows exceed the carrying amount, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying amount, then an impairment charge is recorded based on the fair value of the asset.

Development costs directly associated with the acquisition, development, and construction of a project are capitalized as a cost of the project during the periods in which activities necessary to get the property ready for its intended use are in progress. The costs incurred for development projects are carried at cost. Interest costs associated with development projects are capitalized as part of the cost of the constructed asset. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project, or discernible portion of the project, is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed.

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As a result of the Spin-Off and Merger transactions, substantially all of the real estate assets used in the Company's operations are subject to the Master Lease and owned by GLPI. See Note 2, "Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease."

The following table presents a summary of our land, buildings, vessels and equipment, including those subject to the Master Lease:

	June 30, 2017	December 31, 2016
	(in millions)	
Land, buildings, vessels and equipment:		
Land and land improvements	\$429.0	\$ 426.7
Buildings, vessels and improvements	2,694.2	2,689.0
Furniture, fixtures and equipment	795.0	805.9
Construction in progress	32.0	32.7
Land, buildings, vessels and equipment, gross	3,950.2	3,954.3
Less: accumulated depreciation	(1,254.1)	(1,185.8)
Land, buildings, vessels and equipment, net	\$2,696.1	\$ 2,768.5

Goodwill and Other Intangible Assets: Goodwill consists of the excess of the acquisition cost over the fair value of the net assets acquired in business combinations and has been allocated to our reporting units. We consider each of our operating segments to represent a reporting unit. Other indefinite-lived intangible assets include gaming licenses and trade names for which it is reasonably assured that we will continue to renew indefinitely. Goodwill and other indefinite-lived intangible assets are subject to an annual assessment for impairment during the fourth quarter (October 1st test date), or more frequently if there are indications of possible impairment. Amortizing intangible assets include player relationships and favorable leasehold interests. We review amortizing intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Spin-Off and Merger transactions, which closed on April 28, 2016, represented a significant financial restructuring event that increased our cash flow obligations in connection with the Master Lease, which we concluded represented an indicator that impairment may exist on our goodwill and other intangible assets. Consequently, during the second quarter 2016, we performed a preliminary impairment assessment on goodwill and completed impairment assessments on gaming licenses and trade names. As a result of these impairment assessments, during the three and six months ended June 30, 2016, we recognized non-cash impairments to goodwill, gaming licenses and trade names totaling \$332.9 million, \$68.5 million and \$61.0 million, respectively. During the third quarter 2016, we completed our impairment assessment on goodwill, which resulted in the reversal of \$11.6 million of non-cash impairment to goodwill.

Guest Loyalty Programs: We offer incentives to our guests through our mychoice guest loyalty program ("mychoice program"). Under the mychoice program, guests earn points based on their level of play that may be redeemed for various benefits, such as cash back, dining, or hotel stays, among others. The reward credit balance under the mychoice program will be forfeited if the guest does not earn or use any reward credits over the prior six-month period. In addition, based on their level of play, guests can earn additional benefits without redeeming points, such as a car lease, among other items. We have not yet implemented the mychoice program at the Meadows. The Meadows continues to operate its own guest loyalty program.

We accrue a liability for the estimated cost of providing these benefits as the benefits are earned. Estimates and assumptions are made regarding cost of providing the benefits, breakage rates, and the combination of goods and services guests will choose. We use historical data to assist in the determination of estimated accruals. Changes in

estimates or guest redemption patterns could produce different results. As of June 30, 2017 and December 31, 2016, we had accrued \$22.4 million and \$25.1 million, respectively, for the estimated cost of providing these benefits, which are included in "Other accrued liabilities" in our unaudited Condensed Consolidated Balance Sheets.

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Revenue Recognition: Gaming revenues consist of the net win from gaming activities, which is the difference between amounts wagered and amounts paid to winning patrons. Cash discounts and other cash incentives to guests related to gaming play are recorded as a reduction to gaming revenue. Food and beverage, lodging, retail, entertainment, and other operating revenues are recognized as products are delivered or services are performed. Advance deposits on lodging are recorded as accrued liabilities until services are provided to the guest.

The retail value of food and beverage, lodging and other services furnished to guests on a complimentary basis is included in revenues and then deducted as promotional allowances in calculating total revenues. The estimated cost of providing such promotional allowances is primarily included in gaming expenses. Complimentary revenues that have been excluded from the accompanying unaudited Condensed Consolidated Statements of Operations were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Food and beverage	\$36.0	\$33.7	\$71.1	\$67.5
Lodging	16.2	16.3	31.3	32.1
Other	4.3	3.9	8.3	7.6
Total promotional allowances	\$56.5	\$53.9	\$110.7	\$107.2

The costs to provide such complimentary benefits were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Promotional allowance costs included in gaming expense	\$41.4	\$38.3	\$82.2	\$76.5

Gaming Taxes: We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on our gaming revenues and are recorded as a gaming expense in our unaudited Condensed Consolidated Statements of Operations. These taxes were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Gaming taxes	\$177.6	\$142.7	\$353.8	\$288.5

Leases: The Company has certain long-term lease obligations, including the Meadows Lease, ground leases at certain properties and agreements relating to slot machines. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date of possession of the leased property. At lease inception, the lease term is determined by assuming the exercise of those renewal options that are reasonably assured. The lease term is used to

determine whether a lease is capital or operating and is used to calculate the straight-line rent expense. Additionally, the depreciable life of capital lease assets and leasehold improvements is limited by the expected lease term if less than the useful life of the asset. Rent expenses are included in “General and administrative” in our unaudited Condensed Consolidated Statements of Operations.

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Pre-opening, Development and Other Costs: Pre-opening, development and other costs consist of payroll costs to hire, employ and train the workforce prior to opening an operating facility; marketing campaigns prior to and in connection with the opening; legal and professional fees related to the project but not otherwise attributable to depreciable assets; and lease payments, real estate taxes, and other general and administrative costs prior to the opening of an operating facility. In addition, pre-opening, development and other costs include acquisition and restructuring costs.

Pre-opening, development and other costs are expensed as incurred. Pre-opening, development and other costs consist of the following:

	For the three months ended June 30, 2017		For the six months ended June 30, 2016	
	(in millions)			
Restructuring costs (1)	\$0.5	\$43.2	\$0.8	\$46.8
Meadows acquisition costs (2)	0.1	0.4	0.2	2.1
Other	1.2	0.4	1.6	0.5
Total pre-opening, development and other costs	\$1.8	\$44.0	\$2.6	\$49.4

(1) Amounts comprised of costs associated with the Spin-Off and Merger. See Note 2, “Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease.”

(2) Amounts comprised principally of legal, advisory and other costs associated with the acquisition and integration of the Meadows. See Note 7, “Investment and Acquisition Activities.”

Earnings Per Share: The computation of basic and diluted earnings per share (“EPS”) is based on net income (loss) attributable to Pinnacle Entertainment, Inc. divided by the basic weighted average number of common shares and diluted weighted average number of common shares, respectively. Diluted EPS reflects the addition of potentially dilutive securities, which includes in-the-money share-based awards. We calculate the effect of dilutive securities using the treasury stock method. A total of 0.0 million, 0.2 million, 1.0 million and 1.4 million out-of-the-money share-based awards were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2017, and 2016, respectively, because including them would have been anti-dilutive.

For the three and six months ended June 30, 2016, we recorded a net loss from continuing operations. Accordingly, the potential dilution from the assumed exercise of stock options is anti-dilutive. As a result, basic EPS is equal to diluted EPS for such periods. Share-based awards that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS were 2.9 million and 2.7 million for the three and six months ended June 30, 2016, respectively.

Treasury Stock: In May 2016, the Company’s Board of Directors authorized a share repurchase program of up to \$50.0 million of our common stock, which we completed in July 2016. In August 2016, our Board of Directors authorized an additional share repurchase program of up to \$50.0 million of our common stock. The cost of the shares acquired is treated as a reduction to stockholders’ equity. The Company did not repurchase any of its common stock during the three months ended June 30, 2017. As of August 7, 2017, under the current share repurchase program, we have repurchased 1.7 million shares of our common stock for \$20.1 million.

Recently Issued Accounting Pronouncements: In May 2014, as part of its ongoing efforts to assist in the convergence of GAAP and International Financial Reporting Standards, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which is a new standard related to revenue recognition. Under the new standard, recognition of revenue occurs when a customer

obtains control of promised services or goods in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. The standard must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. In July 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, which defers the implementation of this new standard to be effective for fiscal years beginning after December 15, 2017. In March 2016, the FASB issued ASU No. 2016-08, Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard pursuant to ASU No. 2014-09. In April 2016, the FASB issued ASU No. 2016-10, Identifying Performance Obligations and Licensing, and in May 2016, the FASB issued ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients, which amend certain aspects of the new revenue recognition standard pursuant to ASU No. 2014-09. In December 2016, the FASB issued ASU No. 2016-19 and ASU No. 2016-20, Technical Corrections and Improvements, which further clarified and corrected certain elements of this new standard.

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The Company currently anticipates adopting these accounting standards relating to revenue recognition during the first quarter 2018 using the full retrospective approach. Although we are still evaluating the full impact of this standard on our unaudited Condensed Consolidated Financial Statements, the Company has concluded that the adoption of this standard will affect how we account for our mychoice program as well as the classification of revenues between gaming, food and beverage, lodging, and retail, entertainment and other. Under our mychoice program, guests earn points based on their level of play, which may be redeemed for various benefits, such as cash back, dining, or hotel stays, among others. We currently determine our liability for unredeemed points based on the estimated costs of services or merchandise to be provided and estimated redemption rates. Under the new standard, points awarded under our mychoice program are considered a material right given to the guests based on their gaming play and the promise to provide points to guests will need to be accounted for as a separate performance obligation. The new standard will require us to allocate the revenues associated with the guests' activity between gaming revenue and the value of the points and to measure the liability based on the estimated standalone selling price of the points earned after factoring in the likelihood of redemption. As a result, we expect that gaming revenues will be reduced with a corresponding increase, in total, to food and beverage, lodging, and retail, entertainment and other revenues. The revenue associated with the points earned will be recognized in the period in which they are redeemed. The quantitative effects of these changes have not yet been determined and are still being analyzed.

In February 2016, the FASB issued ASU No. 2016-02, Recognition and Measurement of Leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Further, the new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and liabilities, which no longer provides a source for off balance sheet financing. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements.

The Company currently anticipates adopting this accounting standard during the first quarter 2019. Operating leases, including the Meadows Lease, ground leases at certain properties, and agreements relating to slot machines, will be recorded in our unaudited Condensed Consolidated Balance Sheets as a right-of-use asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. The right-of-use asset will be depreciated on a straight-line basis and recognized as lease expense. The full qualitative and quantitative effects of these changes have not yet been determined and are still being analyzed.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplified several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. We adopted this guidance during the first quarter 2017 and it did not have a material impact on our unaudited Condensed Consolidated Financial Statements. In adopting this guidance, the Company made an accounting policy election to continue to estimate the number of awards that are expected to vest as opposed to accounting for forfeitures as they occur. Prior periods were not required to be adjusted as a result of the adoption of this guidance.

In May 2017, the FASB issued ASU No. 2017-09, Scope of Modification Accounting, which provides clarity and intends to reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation. More specifically, ASU No. 2017-09 provides guidance on which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting. The effective date for this update is for annual and interim periods beginning after December 15, 2017, with early adoption

permitted. The amendments in this update are to be applied on a prospective basis. We are currently evaluating the impact of adopting this accounting standard on our unaudited Condensed Consolidated Financial Statements.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Given the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of any such proposed or revised standards would have on our unaudited Condensed Consolidated Financial Statements.

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Note 2—Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease

Overview of the Spin-Off and Merger: On April 28, 2016, Former Pinnacle completed the transactions under the terms of the Merger Agreement with GLPI. Pursuant to the terms of the Merger Agreement, Former Pinnacle separated its operating assets and liabilities (and its Belterra Park property and excess land at certain locations) into the Company, a newly formed subsidiary, and distributed to its stockholders, on a pro rata basis, all of the issued and outstanding shares of common stock of the Company. As a result, Former Pinnacle stockholders received one share of the Company's common stock, with a par value of \$0.01 per share, for each share of Former Pinnacle common stock that they owned. Merger Sub then merged with and into Former Pinnacle, with Merger Sub surviving the Merger as a wholly owned subsidiary of GLPI. Immediately following the Merger, the Company was renamed Pinnacle Entertainment, Inc., and operates its gaming businesses under the Master Lease for the facilities acquired by GLPI.

In completing the Merger, each share of common stock, par value \$0.10 per share, of Former Pinnacle (the "Former Pinnacle Common Stock") issued and outstanding immediately prior to the effective time (other than shares of Former Pinnacle Common Stock (i) owned or held in treasury by Former Pinnacle or (ii) owned by GLPI, its subsidiaries or Merger Sub) were canceled and converted into the right to receive 0.85 shares of common stock, par value \$0.01 per share, of GLPI.

In connection with the Spin-Off and Merger, on April 28, 2016, we made a dividend to Former Pinnacle of \$808.4 million (the "Cash Payment"), which was equal to the amount of debt outstanding of Former Pinnacle as of April 28, 2016, less \$2.7 billion that GLPI assumed pursuant to the Merger Agreement. Immediately prior to the consummation of the Spin-Off and Merger, the August 2013 amended and restated credit agreement ("Former Senior Secured Credit Facilities") was repaid in full and terminated and the 6.375% senior notes due 2021 ("6.375% Notes"), the 7.50% senior notes due 2021 ("7.50% Notes") and the 7.75% senior subordinated notes due 2022 ("7.75% Notes") were redeemed. Former Pinnacle's indenture governing its 8.75% senior subordinated notes due 2020 ("8.75% Notes") was redeemed on May 15, 2016. Following the consummation of the Spin-Off and Merger, the Company had no outstanding obligations under the Former Senior Secured Credit Facilities, the 6.375% Notes, the 7.50% Notes, the 7.75% Notes and the 8.75% Notes. For a description of the Company's existing long-term debt, see Note 3, "Long-Term Debt."

Failed Spin-Off-Leaseback: The Spin-Off and the subsequent leaseback of the gaming facilities under the terms of the Master Lease did not meet all of the requirements for sale-leaseback accounting treatment under ASC Topic 840, Leases, and therefore is accounted for as a financing obligation. Specifically, the Master Lease contains provisions that indicate prohibited forms of continuing involvement in the leased assets.

Master Lease Financing Obligation: The Master Lease is accounted for as a financing obligation. The obligation was calculated at lease inception based on the future minimum lease payments due to GLPI under the Master Lease discounted at 10.5%. The discount rate represents the estimated incremental borrowing rate over the lease term of 35 years, which included renewal options that were reasonably assured of being exercised. As of April 28, 2016, the commencement date of the Master Lease, the financing obligation was determined to be \$3.2 billion.

Fourteen of our sixteen gaming facilities are subject to the Master Lease with GLPI. The Master Lease has an initial term of 10 years with five subsequent, five-year renewal periods at our option. The rent, which is payable in monthly installments, is comprised of base rent, which includes a land and a building component, and percentage rent. The land base rent is fixed for the entire lease term. The building base rent is subject to an annual escalation of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Master Lease) of 1.8:1. The building base rent was adjusted by the annual escalation beginning in May 2017. The percentage rent, which is fixed for the first two years, will be adjusted every two years to establish a new fixed amount for the next two-year period. Each new fixed amount will be calculated by multiplying 4% by the difference between (i) the average net revenues for the trailing two-year period and (ii) \$1.1 billion.

As of June 30, 2017, annual rent under the Master Lease was \$382.8 million, which was comprised of the land base rent, the building base rent and the percentage rent, which were \$44.1 million, \$294.6 million and \$44.1 million, respectively.

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Total lease payments under the Master Lease were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Reduction of financing obligation	\$12.2	\$7.8	\$24.0	\$7.8
Interest expense attributable to financing obligation	82.7	58.3	163.9	58.3
Total lease payments under the Master Lease	\$94.9	\$66.1	\$187.9	\$66.1

Meadows Lease: The Meadows Lease, which is accounted for as an operating lease, provides for a 10-year initial term, including renewal terms at our option, up to a total of 29 years. As of June 30, 2017, annual rent under the Meadows Lease was \$25.4 million, payable in monthly installments, and comprised of a base rent of \$14.0 million, which is subject to certain adjustments, and a percentage rent of \$11.4 million. The base rent is fixed for the first year and, beginning in the second year of the lease, subject to an annual escalation of up to 5% for the initial 10-year term or until the lease year in which base rent plus percentage rent is a total of \$31.0 million, subject to certain adjustments, and up to 2% thereafter, subject to an Adjusted Revenue to Rent Ratio (as defined in the Meadows Lease) of 1.8:1 during the second year of the lease, 1.9:1 during the third year of the lease and 2.0:1 during the fourth year of the lease and thereafter. The percentage rent is fixed for the first two years and will be adjusted every two years to establish a new fixed amount for the next two-year period equal to 4% of the average annual net revenues during the trailing two-year period.

Note 3—Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2017		
	Outstanding Principal	Discount and Debt Issuance Costs	Long-Term Debt, Net
	(in millions)		
Senior Secured Credit Facilities:			
Revolving Credit Facility due 2021	\$202.6	\$ —	\$ 202.6
Term Loan A Facility due 2021	175.7	(2.8)	172.9
Term Loan B Facility due 2023	20.0	(1.4)	18.6
5.625% Notes due 2024	500.0	(7.6)	492.4
Other	0.1	—	0.1
Total debt including current maturities	898.4	(11.8)	886.6
Less: current maturities	(10.8)	—	(10.8)
Total long-term debt	\$887.6	\$ (11.8)	\$ 875.8
	December 31, 2016		
	Outstanding Principal	Unamortized Discount and Debt Issuance	Long-Term Debt, Net

Costs

(in millions)

Senior Secured Credit Facilities:			
Revolving Credit Facility due 2021	\$ 107.2	\$ —	\$ 107.2
Term Loan A Facility due 2021	180.4	(3.2)	177.2
Term Loan B Facility due 2023	165.2	(4.9)	160.3
5.625% Notes due 2024	500.0	(8.1)	491.9
Other	0.1	—	0.1
Total debt including current maturities	952.9	(16.2)	936.7
Less: current maturities	(12.3)	—	(12.3)
Total long-term debt	\$940.6	\$ (16.2)	\$ 924.4

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Senior Secured Credit Facilities: On April 28, 2016, in connection with the Spin-Off and Merger, we entered into a credit agreement with certain lenders (the “Credit Agreement”). The Credit Agreement is comprised of (i) a \$185.0 million term loan A facility with a maturity of five years (the “Term Loan A Facility”), (ii) a \$300.0 million term loan B facility with a maturity of seven years (the “Term Loan B Facility”) and (iii) a \$400.0 million revolving credit facility with a maturity of five years (the “Revolving Credit Facility” and together with the Term Loan A Facility and the Term Loan B Facility, the “Senior Secured Credit Facilities”). As of June 30, 2017, we had \$202.6 million drawn under the Revolving Credit Facility and \$9.2 million committed under various letters of credit. Subsequent to June 30, 2017, the Company fully repaid the outstanding principal amount of the Term Loan B Facility.

Loans under the Term Loan A Facility and Revolving Credit Facility bear interest at a rate per annum equal to, at our option, LIBOR plus an applicable margin from 1.50% to 2.50% or the base rate plus an applicable margin from 0.50% to 1.50%, in each case, depending on the Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement) as of the most recent fiscal quarter. Loans under the Term Loan B Facility bore interest at a rate per annum equal to, at our option, LIBOR plus 3.00% or the base rate plus 2.00% and in no event was LIBOR to be less than 0.75%. In addition, we pay a commitment fee on the unused portion of the commitments under the Revolving Credit Facility at a rate that ranges from 0.30% to 0.50% per annum, depending on the Consolidated Total Net Leverage Ratio as of the most recent fiscal quarter.

The Term Loan A Facility amortizes in equal quarterly amounts equal to a percentage of the original outstanding principal amount at closing as follows: (i) 5% per annum in the first two years, (ii) 7.5% per annum in the third year and (iii) 10% per annum in the fourth and fifth year. The remaining principal amount is payable on April 28, 2021. The Term Loan B Facility amortized in equal quarterly amounts equal to 1% per annum of the original outstanding principal amount at closing. The Revolving Credit Facility is not subject to amortization and is due and payable on April 28, 2021.

5.625% Notes due 2024: On April 28, 2016, we issued \$375.0 million in aggregate principal amount of 5.625% senior notes due 2024 (the “Existing 5.625% Notes”). The Existing 5.625% Notes were issued at par, mature on May 1, 2024, and bear interest at the rate of 5.625% per annum. Interest on the Existing 5.625% Notes is payable semi-annually on May 1st and November 1st of each year.

On April 28, 2016, the proceeds of the Senior Secured Credit Facilities, together with the proceeds from the Existing 5.625% Notes were used (i) to make the Cash Payment and (ii) to pay fees and expenses related to the issuance of the Senior Secured Credit Facilities and the Existing 5.625% Notes.

On October 12, 2016, we issued an additional \$125.0 million in aggregate principal amount of 5.625% senior notes due 2024 (the “Additional 5.625% Notes” and together with the Existing 5.625% Notes, the “5.625% Notes”), under the bond indenture governing the Existing 5.625% Notes issued on April 28, 2016, as amended and supplemented by that certain first supplemental indenture, dated as of October 12, 2016. The Additional 5.625% Notes were issued at par plus a premium of 50 basis points.

Interest expense, net, was as follows:

	For the three months ended June 30, 2017		For the six months ended June 30, 2016	
	(in millions)			
Interest expense from financing obligation (1)	\$82.7	\$58.3	\$163.9	\$58.3
Interest expense from debt (2)	14.0	24.4	27.0	84.3

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Interest income	(0.1)	(0.1)	(0.2)	(0.2)
Capitalized interest	—	(0.1)	—	(0.1)
Other (3)	—	2.5	—	2.5
Interest expense, net	\$96.6	\$85.0	\$190.7	\$144.8

(1) See Note 2, “Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease,” for information on total lease payments under the Master Lease.

Interest expense associated with the Former Senior Secured Credit Facilities, the 6.375% Notes, the 7.50% Notes, (2) the 7.75% Notes, and the 8.75% Notes, which were no longer obligations of the Company as of April 28, 2016, included in the three and six months ended June 30, 2016, was \$16.8 million and \$76.5 million, respectively.

(3) Represents a nonrecurring expense associated with the GLPI transaction.

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Note 4—Income Taxes

Our effective tax rate for continuing operations for the three and six months ended June 30, 2017, was 13.4%, or an expense of \$1.3 million, and 3.8%, or an expense of \$1.0 million, respectively, as compared to an effective tax rate of 6.7%, or a benefit of \$35.0 million, and 6.3%, or a benefit of \$30.0 million, respectively, for the corresponding prior year periods. The rates include the tax impact of certain discrete items, including changes in the tax status of certain of our legal entities. In general, our effective tax rate differs from the statutory rate of 35.0% due to the effects of permanent items, deferred tax expense on tax amortization of indefinite-lived intangible assets, changes in unrecognized tax benefits, changes in valuation allowance and state taxes.

The Spin-Off described in Note 1, “Organization and Summary of Significant Accounting Policies,” was a taxable transaction. A gain was recognized for tax purposes and the tax bases of the operating assets were stepped up to fair market value at the time of the transaction. Pursuant to ASC Topic 740, Income Taxes, the tax impact directly related to the transaction amongst shareholders was recorded to equity, consistent with the overall accounting treatment of the transaction. All changes in tax bases of assets and liabilities caused by the transactions were recorded to additional paid-in capital.

As previously noted, the failed sale-leaseback is accounted for as a financial obligation. As a result, the real estate gaming facility assets acquired by GLPI are presented on the Company’s unaudited Condensed Consolidated Balance Sheets at historical cost, net of accumulated depreciation, and the financing obligation is recognized and amortized over the lease term. For federal and state income tax purposes, the Spin-Off and the subsequent leaseback of the gaming facilities is an operating lease. As such, the Company recognizes no tax bases in the leased gaming facilities, which creates basis differences that give rise to deferred taxes under ASC Topic 740, Income Taxes.

Note 5—Employee Benefit Plans

Share-based Compensation: As of June 30, 2017, we had 9.2 million share-based awards outstanding, including stock options, restricted stock units, performance stock units, and restricted stock, which are detailed below. Our 2016 Equity and Performance Incentive Plan had 4.9 million share-based awards available for grant as of June 30, 2017. As a result of the Spin-Off and Merger on April 28, 2016, each outstanding vested and non-vested share-based award granted by Former Pinnacle on or prior to July 16, 2015 (“Pre-July 2015 Former Pinnacle Awards”) were converted into a combination of (1) corresponding share-based awards of the Company, which continue to vest on the same schedule as Pre-July 2015 Former Pinnacle Awards based on service with the Company and (2) adjusted Pre-July 2015 Former Pinnacle Awards, which immediately became fully-vested and settled in shares of GLPI common stock as a result of the Merger. Share-based compensation expense for the three and six months ended June 30, 2016 includes \$22.6 million of incremental expense attributable to the accelerated vesting of adjusted Pre-July 2015 Former Pinnacle Awards, which were settled in shares of GLPI common stock.

We recorded share-based compensation expense as follows:

	For the three months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
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(in millions)

Share-based compensation expense \$4.3 \$25.7 \$6.7 \$30.1

Stock options: The following table summarizes information related to our common stock options:

Number of

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	Stock Options	Weighted Average Exercise Price
Options outstanding as of January 1, 2017	6,387,115	\$ 6.16
Exercised	(702,828)	\$ 4.19
Canceled or forfeited	(68,127)	\$ 8.92
Options outstanding as of June 30, 2017	5,616,160	\$ 6.37
Options exercisable as of June 30, 2017	3,991,404	\$ 4.86
Expected to vest as of June 30, 2017	1,332,920	\$ 10.13

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The unamortized compensation costs not yet expensed related to stock options totaled \$4.9 million as of June 30, 2017. The weighted average period over which the costs are expected to be recognized is 1.4 years. The aggregate amount of cash we received from the exercise of stock options was \$2.5 million and \$0.4 million for the six months ended June 30, 2017, and 2016, respectively. The associated shares were newly issued common stock. The following information is provided for our stock options:

For the
six
months
ended
June 30,
2017

(in
millions)

Weighted-average grant date fair value \$ 4.05

Restricted Stock Units: The following table summarizes information related to our restricted stock units:

	Number of Units	Weighted Average Grant Date Fair Value
Non-vested as of January 1, 2017	2,183,056	\$ 9.65
Granted	563,563	\$ 19.00
Vested	(405,529)	\$ 10.18
Canceled or forfeited	(80,482)	\$ 11.25
Non-vested as of June 30, 2017	2,260,608	\$ 11.83

The unamortized compensation costs not yet expensed related to non-vested restricted stock units totaled \$21.6 million as of June 30, 2017. The weighted average period over which the costs are expected to be recognized is 1.4 years.

Restricted Stock: The Company grants restricted stock awards, which are subject to either market or performance conditions. The grant-date fair value of the awards subject to market conditions was determined using the Monte Carlo simulation. The grant-date fair value of the awards subject to performance conditions was determined as the closing price of the Company's common stock on the grant date. To the extent that restricted stock awards are forfeited, the forfeited shares will be included in treasury stock. The following table summarizes information related to our restricted stock:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of January 1, 2017	340,620	\$ 14.24
Granted	713,470	\$ 20.92
Canceled or forfeited	(11,428)	\$ 18.70
Non-vested as of June 30, 2017	1,042,662	\$ 18.77

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The unamortized compensation costs not yet expensed related to restricted stock totaled \$12.1 million as of June 30, 2017. The weighted average period over which the costs are expected to be recognized is 2.0 years.

Performance Stock Units: The following table summarizes information related to our performance stock units:

	Number of Units	Weighted Average Grant Date Fair Value
Non-vested as of January 1, 2017	108,855	\$ 7.84
Vested	(108,855)	\$ 7.84
Non-vested as of June 30, 2017	—	\$ —

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Note 6—Write-downs, Reserves and Recoveries, Net

Write-downs, reserves and recoveries, net consist of the following:

	For the three months ended June 30, 2017		For the six months ended June 30, 2016	
	(in millions)			
Loss on sales or disposals of long-lived assets, net	\$4.4	\$4.2	\$4.8	\$6.9
Impairment of held-to-maturity securities	3.8	—	3.8	—
Impairment of long-lived assets	—	—	—	0.2
Other	(0.3)	0.6	(0.1)	0.5
Write-downs, reserves and recoveries, net	\$7.9	\$4.8	\$8.5	\$7.6

Loss on sales or disposals of long-lived assets, net: During the three and six months ended June 30, 2017 and 2016, we recorded net losses related primarily to sales or disposals of building improvements and furniture, fixtures and equipment in the normal course of business.

Impairment of held-to-maturity securities: During the three and six months ended June 30, 2017, as a result of the lack of legislative progress and on-going negative operating results at Retama Park Racetrack, we recorded an other-than-temporary impairment on our local government corporation bonds issued by Retama Development Corporation (“RDC”), a local government corporation of the City of Selma, Texas. For further information, see Note 7, “Investment and Acquisition Activities.”

Note 7—Investment and Acquisition Activities

Acquisition of the Meadows Business: On September 9, 2016, we closed on the purchase agreement with GLPC pursuant to which we acquired all of the equity interests of the Meadows located in Washington, Pennsylvania for base consideration of \$138.0 million, subject to certain adjustments. The purchase price, after giving effect to such adjustments was \$134.0 million and the cash paid for the Meadows business, net of cash acquired, was \$107.5 million. As a result of the transaction, we own and operate the Meadows’ gaming, entertainment and harness racing business subject to the Meadows Lease, which is discussed in Note 2, “Spin-Off, Merger, Master Lease Financing Obligation and Meadows Lease.” The Company believes that this acquisition provides additional economies of scale and further geographical diversification and will provide long-term growth for our stockholders.

We are required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values is recorded as goodwill, of which \$8.2 million is deductible for income tax purposes. The goodwill recognized is primarily the result of expected cash flows of the Meadows business, including anticipated synergies. The determination of the fair values of the acquired assets and assumed liabilities requires significant judgment. During the second quarter 2017, management finalized the purchase price allocation, which did not result in any adjustments to the recorded goodwill balance.

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The following table reflects the allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed, with the excess recorded as goodwill (in thousands). The goodwill has been assigned to our Midwest segment.

Current and other assets	\$ 35,953
Property and equipment	39,265
Goodwill	18,822
Other intangible assets	71,300
Other non-current assets	3,001
Total assets	168,341

Current liabilities	18,524
Deferred tax liabilities	10,624
Other long-term liabilities	5,145
Total liabilities	34,293
Net assets acquired	\$ 134,048

The following table summarizes the acquired property and equipment.

	As Recorded at Fair Value (in thousands)
Furniture, fixtures and equipment	\$ 39,240
Construction in progress	25
Total property and equipment acquired	\$ 39,265

The following table summarizes the acquired identifiable intangible assets.

	As Recorded at Fair Value (in thousands)
Gaming licenses	\$ 56,300
Trade name	15,000
Total other intangible assets acquired	\$ 71,300

Retama Park Racetrack: We hold 75.5% of the equity of Pinnacle Retama Partners, LLC (“PRP”) and consolidate the accounts of PRP in our unaudited Condensed Consolidated Financial Statements. As of June 30, 2017, PRP held \$16.9 million in promissory notes issued by RDC and \$7.5 million in local government corporation bonds issued by RDC, at amortized cost. The promissory notes and local government corporation bonds, which are included in “Other assets, net” in our unaudited Condensed Consolidated Balance Sheets, have long-term contractual maturities and are collateralized by the assets of the Retama Park Racetrack. As noted in Note 6, “Write-downs, reserves and recoveries, net,” during the three and six months ended June 30, 2017, we recorded an other-than-temporary impairment on the local government corporation bonds in the amount of \$3.8 million.

The contractual terms of the promissory notes include interest payments due at maturity; however, we have not recorded accrued interest because uncertainty exists as to RDC’s ability to make the interest payments. We have the

positive intent and ability to hold the local government corporation bonds to maturity and until the amortized cost basis is recovered.

Note 8—Commitments and Contingencies

Self-Insurance: We self-insure various levels of general liability, workers' compensation, and medical coverage at most of our properties. Insurance reserves include accruals for estimated settlements for known claims, as well as accruals for estimates of claims not yet made. As of June 30, 2017 and December 31, 2016, we had total self-insurance accruals of \$26.0 million and \$26.1 million, respectively, which are included in "Total current liabilities" in our unaudited Condensed Consolidated Balance Sheets.

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Other: We are a party to a number of other pending legal proceedings. Management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on our financial position, cash flows or results of operations.

Note 9—Segment Information

We view each of our operating businesses as an operating segment with the exception of our two businesses in Jackpot, Nevada, which we view as one operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services provided, the regulatory environments in which they operate, and their management and reporting structure. We have aggregated our operating segments into three reportable segments based on the similar characteristics of the operating segments within the regions in which they operate: Midwest, South and West. Corporate expenses and other is included in the following segment disclosures to reconcile to consolidated results.

We use Consolidated Adjusted EBITDAR and Adjusted EBITDAR (as such terms are defined below) for each segment to compare operating results among our segments and allocate resources. The following table highlights our Adjusted EBITDAR for each segment and reconciles Consolidated Adjusted EBITDAR to Income (loss) from continuing operations for the three and six months ended June 30, 2017 and 2016.

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Revenues:				
Midwest segment (a)	\$389.7	\$318.8	\$780.0	\$647.3
South segment (a)	201.8	188.2	394.3	381.9
West segment (a)	60.8	57.8	116.7	114.4
	652.3	564.8	1,291.0	1,143.6
Corporate and other (c)	1.3	1.4	2.6	2.6
Total revenues	\$653.6	\$566.2	\$1,293.6	\$1,146.2
Adjusted EBITDAR (b):				
Midwest segment (a)	\$109.1	\$98.7	\$222.1	\$206.1
South segment (a)	67.8	57.8	129.5	122.5
West segment (a)	23.6	21.6	44.1	42.6
	200.5	178.1	395.7	371.2
Corporate expenses and other (c)	(19.8)	(21.1)	(40.1)	(41.8)
Consolidated Adjusted EBITDAR (b)	180.7	157.0	355.6	329.4
Other benefits (costs):				
Rent expense under the Meadows Lease	(4.1)	—	(8.2)	—
Depreciation and amortization	(56.2)	(54.0)	(112.2)	(108.1)
Pre-opening, development and other costs	(1.8)	(44.0)	(2.6)	(49.4)
Non-cash share-based compensation expense	(4.3)	(25.7)	(6.7)	(30.1)
Impairment of goodwill	—	(332.9)	—	(332.9)
Impairment of other intangible assets	—	(129.5)	—	(129.5)
Write-downs, reserves and recoveries, net	(7.9)	(4.8)	(8.5)	(7.6)
Interest expense, net	(96.6)	(85.0)	(190.7)	(144.8)
Loss on early extinguishment of debt	—	(5.2)	—	(5.2)
Loss from equity method investment	(0.1)	(0.1)	(0.1)	(0.1)
Income tax benefit (expense)	(1.3)	35.0	(1.0)	30.0
Income (loss) from continuing operations	\$8.4	\$(489.2)	\$25.6	\$(448.3)

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For the six
months
ended June
30,
2017 2016

(in millions)

Capital expenditures:		
Midwest segment (a)	\$21.6	\$24.1
South segment (a)	10.2	15.5
West segment (a)	2.1	5.0
Corporate and other, including development projects	4.8	3.0
	\$38.7	\$47.6

(a) See Note 1, “Organization and Summary of Significant Accounting Policies,” for listing of properties included in each segment.

We define Consolidated Adjusted EBITDAR as earnings before interest income and expense, income taxes, depreciation, amortization, rent expense associated with the Meadows Lease, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, gain (loss) on sale of certain assets, gain (loss) on early extinguishment of debt, gain (loss) on sale of equity security investments, income (loss) from equity method investments, non-controlling interest and discontinued operations. We define Adjusted EBITDAR for each segment as earnings before interest income and expense, income taxes, depreciation, amortization, rent expense associated with the Meadows Lease, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, inter-company management fees, gain (loss) on sale of certain assets, gain (loss) on early extinguishment of debt, gain (loss) on sale of discontinued operations and discontinued operations. We use Consolidated Adjusted EBITDAR and Adjusted EBITDAR for each reportable segment to compare operating results among our properties and between accounting periods. Consolidated Adjusted EBITDAR and Adjusted EBITDAR have economic substance because they are used by management as measures to analyze the performance of our business and are especially relevant in evaluating large, long-lived casino-hotel projects because they provide a perspective on the current effects of

(b) operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We eliminate the results from discontinued operations at the time they are deemed discontinued. We also review pre-opening, development and other costs separately, as such expenses are also included in total project costs when assessing budgets and project returns, and because such costs relate to anticipated future revenues and income. We believe that Consolidated Adjusted EBITDAR and Adjusted EBITDAR are useful measures for investors because they are indicators of the performance of ongoing business operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value of companies within our industry. In addition, Consolidated Adjusted EBITDAR approximates the measures used in the debt covenants within the Company’s debt agreements. Consolidated Adjusted EBITDAR and Adjusted EBITDAR do not include depreciation or interest expense and, therefore, do not reflect current or future capital expenditures or the cost of capital. Consolidated Adjusted EBITDAR should not be considered as an alternative to operating income (loss) as an indicator of performance, or as an alternative to any other measure provided in accordance with GAAP. Our calculations of Consolidated Adjusted EBITDAR and Adjusted EBITDAR may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

(c) Corporate and other includes revenues from a live and televised poker tournament series that operates under the trade name Heartland Poker Tour (“HPT”) and management of Retama Park Racetrack. Corporate expenses represent payroll, professional fees, travel expenses and other general and administrative expenses not directly related to our casino and hotel operations. Corporate expenses that are directly attributable to a property are allocated to each

applicable property. Other includes expenses relating to the operation of HPT and management of Retama Park Racetrack.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition, results of operations, liquidity and capital resources should be read in conjunction with, and is qualified in its entirety by, the unaudited Condensed Consolidated Financial Statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2016.

EXECUTIVE SUMMARY

Pinnacle Entertainment, Inc. is an owner, operator and developer of casinos and related hospitality and entertainment businesses. References to “Pinnacle,” the “Company,” “we,” “our” or “us” refer to Pinnacle Entertainment, Inc. and its subsidiaries, except where stated or the context otherwise indicates. References to “Former Pinnacle” refer to Pinnacle Entertainment, Inc. prior to the Spin-Off and Merger (as such terms are defined below).

We own and operate 16 gaming, hospitality and entertainment businesses, of which 15 operate in leased facilities. Our owned facility is located in Ohio and our leased facilities are located in Colorado, Indiana, Iowa, Louisiana, Mississippi, Missouri, Nevada and Pennsylvania, subject to either the Master Lease or the Meadows Lease (as such terms are defined below). We also hold a majority interest in the racing license owner, and we are a party to a management contract, for Retama Park Racetrack located outside of San Antonio, Texas. We view each of our operating businesses as an operating segment with the exception of our two businesses in Jackpot, Nevada, which we view as one operating segment. For financial reporting purposes, we aggregate our operating segments into the following reportable segments:

Midwest segment, which includes: Location

Ameristar Council Bluffs (1)	Council Bluffs, Iowa
Ameristar East Chicago (1)	East Chicago, Indiana
Ameristar Kansas City (1)	Kansas City, Missouri
Ameristar St. Charles (1)	St. Charles, Missouri
Belterra Resort (1)	Florence, Indiana
Belterra Park	Cincinnati, Ohio
Meadows (2)	Washington, Pennsylvania
River City (1)	St. Louis, Missouri

South segment, which includes: Location

Ameristar Vicksburg (1)	Vicksburg, Mississippi
Boomtown Bossier City (1)	Bossier City, Louisiana
Boomtown New Orleans (1)	New Orleans, Louisiana
L’Auberge Baton Rouge (1)	Baton Rouge, Louisiana
L’Auberge Lake Charles (1)	Lake Charles, Louisiana

West segment, which includes: Location

Ameristar Black Hawk (1)	Black Hawk, Colorado
Cactus Petes and Horseshu (1)	Jackpot, Nevada

(1) We lease the real estate associated with these gaming facilities under the terms of the Master Lease.

(2) The Meadows Racetrack and Casino (the “Meadows”) was acquired on September 9, 2016, as discussed below. We lease the real estate associated with this gaming facility under the terms of the Meadows Lease.

We own and operate gaming, hospitality and entertainment businesses, all of which include gaming, food and beverage, and retail facilities, and most of which include hotel and resort amenities. Our operating results are highly dependent on the volume of guests at our businesses, which, in turn, affects the price we can charge for hotel rooms

and other amenities. While we do provide casino credit in several gaming jurisdictions, most of our revenue is cash-based, with guests wagering with cash or paying for hospitality or entertainment services with cash or credit cards. Our businesses generate significant operating cash flow. Our industry is capital-intensive, and we rely on the ability of our businesses to generate operating cash flow to satisfy our obligations under the Master Lease and the Meadows Lease, pay interest, repay debt, and fund maintenance capital expenditures.

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Our mission is to increase stockholder value. We seek to increase revenues through enhancing the guest experience by providing them with their favorite games, restaurants, hotel accommodations, entertainment and other amenities in attractive surroundings with high-quality guest service and our mychoice guest loyalty program (“mychoice program”). We seek to improve cash flows by focusing on operational excellence and efficiency while meeting our guests’ expectations of value. Our long-term strategy includes disciplined capital expenditures to improve and maintain the existing facilities in which we operate, while growing the number of businesses we own and operate by pursuing opportunities to either acquire or develop gaming, hospitality and entertainment businesses. We intend to diversify our revenue sources by growing our portfolio of businesses and facilities, while remaining gaming, hospitality and entertainment centric. We intend to implement these strategies either alone or with third parties when we believe it benefits our stockholders to do so. In making decisions, we consider our stockholders, guests, team members and other constituents in the communities in which we operate.

On April 28, 2016, Former Pinnacle completed the transactions under the terms of a definitive agreement (the “Merger Agreement”) with Gaming and Leisure Properties, Inc. (“GLPI”), a real estate investment trust. Pursuant to the terms of the Merger Agreement, Former Pinnacle separated its operating assets and liabilities (and its Belterra Park property and excess land at certain locations) into the Company, a newly formed subsidiary, and distributed to its stockholders, on a pro rata basis, all of the issued and outstanding shares of common stock of the Company (such distribution referred to as the “Spin-Off”). As a result, Former Pinnacle stockholders received one share of the Company’s common stock, with a par value of \$0.01 per share, for each share of Former Pinnacle common stock that they owned. Gold Merger Sub, LLC, a wholly owned subsidiary of GLPI (“Merger Sub”), then merged with and into Former Pinnacle (the “Merger”), with Merger Sub surviving the Merger as a wholly owned subsidiary of GLPI. Immediately following the Merger, the Company was renamed Pinnacle Entertainment, Inc., and operates its gaming businesses in the facilities acquired by GLPI under a triple-net master lease agreement (the “Master Lease”).

In completing the Merger, each share of common stock, par value \$0.10 per share, of Former Pinnacle (the “Former Pinnacle Common Stock”) issued and outstanding immediately prior to the effective time (other than shares of Former Pinnacle Common Stock (i) owned or held in treasury by Former Pinnacle or (ii) owned by GLPI, its subsidiaries or Merger Sub) were canceled and converted into the right to receive 0.85 shares of common stock, par value \$0.01 per share, of GLPI.

We concluded that the Spin-Off was to be accounted for as the reverse of its legal form under the requirements of Accounting Standards Codification (“ASC”) Subtopic 505-60, Spinoff and Reverse Spinoffs, resulting in the Company being considered the accounting spinner. The gaming facilities acquired by GLPI, which are leased back by the Company under the Master Lease, did not qualify for sale-leaseback accounting; and therefore, the Master Lease is accounted for as a financing obligation and the gaming facilities remain on our unaudited Condensed Consolidated Financial Statements.

On September 9, 2016, we closed on a purchase agreement (the “Purchase Agreement”) with GLP Capital, L.P. (“GLPC”), a subsidiary of GLPI, pursuant to which we acquired all of the equity interests of the Meadows located in Washington, Pennsylvania for base consideration of \$138.0 million, subject to certain adjustments. The purchase price, after giving effect to such adjustments was \$134.0 million and the cash paid for the Meadows business, net of cash acquired, was \$107.5 million. As a result of the transaction, we own and operate the Meadows’ gaming entertainment and harness racing business subject to a triple-net lease of its underlying real property with GLPI (the “Meadows Lease”).

The Meadows Lease provides for a 10-year initial term, including renewal terms at our option, up to a total of 29 years. As of June 30, 2017, annual rent under the Meadows Lease was \$25.4 million, payable in monthly installments, and comprised of a base rent of \$14.0 million, which is subject to certain adjustments, and an initial percentage rent of \$11.4 million. The base rent is fixed for the first year and, beginning in the second year of the lease, subject to an annual escalation of up to 5% for the initial 10-year term or until the lease year in which base rent plus percentage rent

is a total of \$31.0 million, subject to certain adjustments, and up to 2% thereafter, subject to an Adjusted Revenue to Rent Ratio (as defined in the Meadows Lease) of 1.8:1 during the second year of the lease, 1.9:1 during the third year of the lease and 2.0:1 during the fourth year of the lease and thereafter. The percentage rent is fixed for the first two years and will be adjusted every two years to establish a new fixed amount for the next two-year period equal to 4% of the average annual net revenues during the trailing two-year period.

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RESULTS OF OPERATIONS

The following table highlights our results of operations for the three and six months ended June 30, 2017 and 2016. As discussed in Note 9, “Segment Information,” to our unaudited Condensed Consolidated Financial Statements, we report segment operating results based on revenues and Adjusted EBITDAR (as defined below). Such segment reporting is on a basis consistent with how we measure our business and allocate resources internally. See Note 9, “Segment Information,” to our unaudited Condensed Consolidated Financial Statements for more information regarding our segment information. The following table highlights our Adjusted EBITDAR for each segment and reconciles Consolidated Adjusted EBITDAR and Consolidated Adjusted EBITDA, net of Lease Payments (as such terms are defined below) to Income (loss) from continuing operations and Consolidated Adjusted EBITDAR margin to Income (loss) from continuing operations margin in accordance with U.S. GAAP.

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Revenues:				
Midwest segment (a)	\$389.7	\$318.8	\$780.0	\$647.3
South segment (a)	201.8	188.2	394.3	381.9
West segment (a)	60.8	57.8	116.7	114.4
	652.3	564.8	1,291.0	1,143.6
Corporate and other (c)	1.3	1.4	2.6	2.6
Total revenues	\$653.6	\$566.2	\$1,293.6	\$1,146.2
Adjusted EBITDAR (b):				
Midwest segment (a)	\$109.1	\$98.7	\$222.1	\$206.1
South segment (a)	67.8	57.8	129.5	122.5
West segment (a)	23.6	21.6	44.1	42.6
	200.5	178.1	395.7	371.2
Corporate expenses and other (c)	(19.8)	(21.1)	(40.1)	(41.8)
Consolidated Adjusted EBITDAR (b)	180.7	157.0	355.6	329.4
Lease Payments (d)	(101.3)	(66.1)	(200.6)	(66.1)
Consolidated Adjusted EBITDA, net of Lease Payments (d)	79.4	90.9	155.0	263.3
Other benefits (costs) and adjustments:				
Lease Payments (d)	101.3	66.1	200.6	66.1
Rent expense under the Meadows Lease	(4.1)	—	(8.2)	—
Depreciation and amortization	(56.2)	(54.0)	(112.2)	(108.1)
Pre-opening, development and other costs	(1.8)	(44.0)	(2.6)	(49.4)
Non-cash share-based compensation expense	(4.3)	(25.7)	(6.7)	(30.1)
Impairment of goodwill	—	(332.9)	—	(332.9)
Impairment of other intangible assets	—	(129.5)	—	(129.5)
Write-downs, reserves and recoveries, net	(7.9)	(4.8)	(8.5)	(7.6)
Interest expense, net	(96.6)	(85.0)	(190.7)	(144.8)
Loss on early extinguishment of debt	—	(5.2)	—	(5.2)
Loss from equity method investment	(0.1)	(0.1)	(0.1)	(0.1)
Income tax benefit (expense)	(1.3)	35.0	(1.0)	30.0
Income (loss) from continuing operations	\$8.4	\$(489.2)	\$25.6	\$(448.3)
Consolidated Adjusted EBITDAR margin	27.6 %	27.7 %	27.5 %	28.7 %
Income (loss) from continuing operations margin	1.3 %	(86.4)%	2.0 %	(39.1)%

(a) See “Executive Summary” section for listing of properties included in each segment.

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We define Consolidated Adjusted EBITDAR as earnings before interest income and expense, income taxes, depreciation, amortization, rent expense associated with the Meadows Lease, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, gain (loss) on sale of certain assets, gain (loss) on early extinguishment of debt, gain (loss) on sale of equity security investments, income (loss) from equity method investments, non-controlling interest and discontinued operations. We define Adjusted EBITDAR for each reportable segment as earnings before interest income and expense, income taxes, depreciation, amortization, rent expense associated with the Meadows Lease, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, inter-company management fees, gain (loss) on sale of certain assets, gain (loss) on early extinguishment of debt, gain (loss) on sale of discontinued operations and discontinued operations. We define Consolidated Adjusted EBITDAR margin as Consolidated Adjusted EBITDAR divided by revenues on a consolidated basis. We define Adjusted EBITDAR margin as Adjusted EBITDAR for the segment divided by segment revenues. We use Consolidated Adjusted EBITDAR and Adjusted EBITDAR for each reportable segment to compare operating results among our properties and between accounting periods. Consolidated Adjusted EBITDAR and Adjusted EBITDAR have economic substance because they are used by management as measures to analyze the performance of our business and are especially relevant in evaluating large, long-lived casino-hotel projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We eliminate the results from discontinued operations at the time they are deemed discontinued. We also review pre-opening, development and other costs separately, as such expenses are also included in total project costs when assessing budgets and project returns, and because such costs relate to anticipated future revenues and income. We believe that Consolidated Adjusted EBITDAR, Consolidated Adjusted EBITDAR margin and Adjusted EBITDAR are useful measures for investors because they are indicators of the performance of ongoing business operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value of companies within our industry. In addition, Consolidated Adjusted EBITDAR approximates the measures used in the debt covenants within the Company's debt agreements. Consolidated Adjusted EBITDAR and Adjusted EBITDAR do not include depreciation or interest expense and, therefore, do not reflect current or future capital expenditures or the cost of capital. Consolidated Adjusted EBITDAR should not be considered as an alternative to operating income (loss) as an indicator of performance, or as an alternative to any other measure provided in accordance with GAAP. Our calculations of Consolidated Adjusted EBITDAR and Adjusted EBITDAR may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Corporate and other includes revenues from a live and televised poker tournament series that operates under the trade name Heartland Poker Tour ("HPT") and management of Retama Park Racetrack. Corporate expenses represent payroll, professional fees, travel expenses and other general and administrative expenses not directly related to our casino and hotel operations. Corporate expenses that are directly attributable to a property are allocated to each applicable property. Other includes expenses relating to the operation of HPT and management of Retama Park Racetrack.

(d) Consolidated Adjusted EBITDA, net of Lease Payments is defined as Consolidated Adjusted EBITDAR (as defined in footnote b above), net of Lease Payments. The Company defines Lease Payments as lease payments made to GLPI for the Master Lease and the Meadows Lease. We believe that Consolidated Adjusted EBITDA, net of Lease Payments is a useful measure to compare operating results between accounting periods. In addition, Consolidated Adjusted EBITDA, net of Lease Payments is a useful measure for investors because it is an indicator of the performance of ongoing business operations after incorporating the cash flow obligations associated with the Master Lease and the Meadows Lease. Consolidated Adjusted EBITDA, net of Lease Payments should not be considered as an alternative to operating income (loss) as an indicator of performance, or as an alternative to any

other measure provided in accordance with GAAP. Our calculations of Consolidated Adjusted EBITDA, net of Lease Payments may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Consolidated Overview

Total revenues for the three and six months ended June 30, 2017 were \$653.6 million and \$1.3 billion, respectively, representing year over year increases of \$87.4 million, or 15.4%, and \$147.4 million, or 12.9%, respectively. For the three and six months ended June 30, 2017, income from continuing operations was \$8.4 million and \$25.6 million, respectively, and the related margin was 1.3% and 2.0%, respectively. Consolidated Adjusted EBITDAR was \$180.7 million, an increase of \$23.7 million, or 15.1%, year over year, for the three months ended June 30, 2017 and was \$355.6 million, an increase of \$26.2 million or 8.0% year over year, for the six months ended June 30, 2017.

The three and six months ended June 30, 2017 include \$72.3 million and \$141.5 million of total revenues, respectively, and \$13.3 million and \$24.8 million of Adjusted EBITDAR, respectively, from the Meadows, which was acquired on September 9, 2016. Consolidated Adjusted EBITDAR margin for the three and six months ended June 30, 2017 was 27.6% and 27.5%, respectively, representing decreases of 10 basis points and 120 basis points year over year, respectively, which were driven by the Meadows.

For the three and six months ended June 30, 2017, total revenues and Consolidated Adjusted EBITDAR were also positively impacted by strong performances at L'Auberge Baton Rouge, L'Auberge Lake Charles, Belterra Park, Belterra Resort, River City and Ameristar Black Hawk, and were negatively impacted by lost business volume at Ameristar Kansas

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City due to road construction surrounding the facility and lower gaming and hospitality volume at Ameristar Vicksburg due, in part, to a city-wide water outage in May 2017. In addition, total revenues and Consolidated Adjusted EBITDAR for the six months ended June 30, 2017 were adversely impacted by a \$3.2 million out-of-period adjustment at Ameristar Kansas City.

Total revenues for the three and six months ended June 30, 2016 were \$566.2 million and \$1.1 billion, respectively. For the three and six months ended June 30, 2016, loss from continuing operations was \$489.2 million and \$448.3 million, respectively, which was negatively impacted by non-cash impairments to goodwill, gaming licenses and trade names totaling \$332.9 million, \$68.5 million and \$61.0 million, respectively. For the three and six months ended June 30, 2016, Consolidated Adjusted EBITDAR was negatively impacted by lost business volume at L’Auberge Lake Charles due to persistent rain and regional flooding and adjustments to legal reserves.

The Company’s revenue consists mostly of gaming revenue, which is primarily from slot machines and to a lesser extent, table games. The slot revenue represented approximately 82% of gaming revenue in both 2016 and 2015. In analyzing the performance of our businesses, the key indicators related to gaming revenue are slot handle and table games drop (which are volume indicators) and win or hold percentage.

Slot handle or video lottery terminal (“VLT”) handle represents the total amount wagered in a slot machine or VLT, and table games drop represents the total amount of cash and net markers issued that are deposited in gaming table drop boxes. Win represents the amount of wagers retained by us and recorded as gaming revenue, and hold represents win as a percentage of slot handle, VLT handle or table games drop. Given the stability in our slot and VLT hold percentages, we have not experienced any significant impact on our results of operations as a result of changes in hold percentages.

For table games, guests usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit-worthy guests) are deposited in the drop box of each gaming table. Table game win is the amount of drop that is retained and recorded as gaming revenue, with liabilities recognized for funds deposited by guests.

We offer incentives to our guests through our mychoice program. Under the mychoice program, guests earn points based on their level of play that may be redeemed for various benefits, such as cash back, dining, or hotel stays, among others. The reward credit balance under the mychoice program will be forfeited if the guest does not earn or use any reward credits over the prior six-month period. In addition, based on their level of play, guests can earn additional benefits without redeeming points, such as a car lease, among other items. We have not yet implemented the mychoice program at the Meadows. The Meadows continues to operate its own guest loyalty program. We accrue a liability for the estimated cost of providing these benefits as they are earned. Estimates and assumptions are made regarding the cost of providing such benefits, breakage rates, and the mixture of goods and services guests will choose. We use historical data to assist in the determination of estimated accruals. Changes in estimates or guest redemption habits could produce different results. As of June 30, 2017 and December 31, 2016, we had accrued \$22.4 million and \$25.1 million, respectively, for the estimated cost of providing these benefits.

Segment comparison of the three and six months ended June 30, 2017 and 2016

Midwest Segment

For the three months ended June 30,		Change	For the six months ended June 30,		Change
2017	2016	2017	2017	2016	2017
		vs.			vs.

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	2016			2016		
	(in millions)			(in millions)		
Gaming revenues	\$349.5	\$288.3	21.2 %	\$702.5	\$586.4	19.8 %
Total revenues	389.7	318.8	22.2 %	780.0	647.3	20.5 %
Operating income (loss)	70.2	(173.9)	NM	146.7	(95.8)	NM
Adjusted EBITDAR	109.1	98.7	10.5 %	222.1	206.1	7.8 %
Adjusted EBITDAR margin	28.0 %	31.0 %	(300) bps	28.5 %	31.8 %	(330) bps

NM - Not Meaningful

In the Midwest segment, total revenues increased by \$70.9 million, or 22.2%, and \$132.7 million, or 20.5%, year over year, for the three and six months ended June 30, 2017. Operating income for the three and six months ended June 30, 2017 was \$70.2 million and \$146.7 million, respectively, as compared to operating losses of \$173.9 million and \$95.8 million,

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respectively, in the prior year periods. Adjusted EBITDAR increased by \$10.4 million, or 10.5%, and \$16.0 million, or 7.8%, year over year, for the three and six months ended June 30, 2017. For the three and six months ended June 30, 2017, the acquisition of the Meadows on September 9, 2016 contributed \$72.3 million and \$141.5 million, respectively, of total revenues and \$13.3 million and \$24.8 million of Adjusted EBITDAR, respectively. Adjusted EBITDAR margin decreased year over year by 300 basis points and 330 basis points, for the three and six months ended June 30, 2017, respectively, which was principally driven by the Meadows.

For the three and six months ended June 30, 2017, the Midwest segment total revenues and Adjusted EBITDAR also benefited from strong performances at Belterra Park, where gaming and hospitality volumes have continued to ramp up and marketing efficiencies have materialized; Belterra Resort, where modest growth in gaming revenues and an emphasis on cash hospitality revenue streams, resulted in Adjusted EBITDAR growth; and River City, where Asian table games volume increased and hospitality revenue increased, in part, from the ramp up of new food and beverage outlets. In June 2017, a gaming floor expansion was completed at Ameristar Council Bluffs, which increased casino square footage and the number of slot machines. The Midwest segment operating results for the three and six months ended June 30, 2017 were negatively impacted by lost business volume at Ameristar Kansas City due to road construction surrounding the facility. Additionally, the Midwest segment total revenues and Adjusted EBITDAR for the six months ended June 30, 2017, were adversely impacted by a \$3.2 million out-of-period adjustment at Ameristar Kansas City.

For the three and six months ended June 30, 2016, the Midwest segment operating results benefited from strong performance at Belterra Park, where gaming volume continued to ramp up and additional cost efficiencies were realized. Additionally, River City, Ameristar Council Bluffs and Belterra contributed to the strong performance in Adjusted EBITDAR, largely through operational efficiencies. The Midwest segment operating results for the three and six months ended June 30, 2016 were negatively impacted by lost business volume at Ameristar St. Charles due primarily to major Interstate 70 interchange construction that impeded access to the property. In addition, we recorded \$239.9 million of non-cash impairment to goodwill and other intangible assets as a result of the Spin-Off and Merger, which resulted in operating losses for the three and six months ended June 30, 2016.

South Segment

	For the three months ended June 30,			For the six months ended June 30,		
	2017	2016	Change vs. 2016	2017	2016	Change vs. 2016
	(in millions)			(in millions)		
Gaming revenues	\$181.7	\$168.8	7.6 %	\$356.0	\$343.9	3.5 %
Total revenues	201.8	188.2	7.2 %	394.3	381.9	3.2 %
Operating income (loss)	48.8	(141.4)	NM	92.5	(98.5)	NM
Adjusted EBITDAR	67.8	57.8	17.3 %	129.5	122.5	5.7 %
Adjusted EBITDAR margin	33.6 %	30.7 %	290 bps	32.8 %	32.1 %	70 bps
NM - Not Meaningful						

In the South segment, total revenues increased by \$13.6 million, or 7.2%, and \$12.4 million, or 3.2%, year over year, for the three and six months ended June 30, 2017. Operating income for the three and six months ended June 30, 2017 was \$48.8 million and \$92.5 million, respectively, as compared to operating losses of \$141.4 million and \$98.5 million, respectively, in the prior year periods. Adjusted EBITDAR increased by \$10.0 million, or 17.3%, and \$7.0 million, or 5.7%, year over year, for the three and six months ended June 30, 2017, respectively. For the three and six

months ended June 30, 2017, Adjusted EBITDAR margin increased year over year by 290 basis points and 70 basis points, respectively.

For the three and six months ended June 30, 2017, the South segment total revenues and Adjusted EBITDAR benefited from strong performances at L'Auberge Baton Rouge, which continued to experience gaming and hospitality revenue growth as well as achieved operational efficiencies principally relating to marketing efforts, and L'Auberge Lake Charles, which benefited from strong slots and table games volume as well as increased marketing efficiencies. Partially offsetting these strong performances was Ameristar Vicksburg, which experienced lower gaming and hospitality volume during the three months ended June 30, 2017, partially due to a city-wide water outage in May 2017.

For the three and six months ended June 30, 2016, the South segment operating results benefited by strong performance at L'Auberge Baton Rouge, which experienced revenue growth while further refining its cost structure. South segment operating results for the three and six months ended June 30, 2016 were negatively impacted by lost business volume at L'Auberge Lake

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Charles due to persistent rain and regional flooding, which had impeded visitation to the property. In addition, we recorded \$179.9 million of non-cash impairment to goodwill and other intangible assets as a result of the Spin-Off and Merger, which resulted in operating losses for the three and six months ended June 30, 2016.

West Segment

	For the three months ended June 30,		Change 2017 vs. 2016	For the six months ended June 30,		Change 2017 vs. 2016
	2017	2016		2017	2016	
	(in millions)			(in millions)		
Gaming revenues	\$50.8	\$48.6	4.5 %	\$97.6	\$96.3	1.3 %
Total revenues	60.8	57.8	5.2 %	116.7	114.4	2.0 %
Operating income (loss)	17.6	(26.3)	NM	32.9	(10.6)	NM
Adjusted EBITDAR	23.6	21.6	9.3 %	44.1	42.6	3.5 %
Adjusted EBITDAR margin	38.8 %	37.4 %	140 bps	37.8 %	37.2 %	60 bps

NM - Not Meaningful

In the West segment, total revenues increased by \$3.0 million, or 5.2%, and \$2.3 million, or 2.0%, year over year, for the three and six months ended June 30, 2017. Operating income for the three and six months ended June 30, 2017 was \$17.6 million and \$32.9 million, respectively, as compared to operating losses of \$26.3 million and \$10.6 million, respectively, in the prior year periods. Adjusted EBITDAR increased by \$2.0 million, or 9.3%, and \$1.5 million, or 3.5%, year over year, for the three and six months ended June 30, 2017. For the three and six months ended June 30, 2017, Adjusted EBITDAR margin increased year over year by 140 and 60 basis points, respectively.

For the three and six months ended June 30, 2017, the West segment operating results were positively impacted by strong performance at Ameristar Black Hawk, which experienced increases in total revenues and Adjusted EBITDAR as well as operational efficiencies. The performance at the Jackpot Properties was strong during the three months ended June 30, 2017, but the six months ended June 30, 2017, was negatively impacted by adverse weather conditions, which decreased guest visitation, during the first quarter 2017.

For the three and six months ended June 30, 2016, the West segment operating results were driven by strong year over year increases in total revenues and Adjusted EBITDAR at the Jackpot Properties due primarily to the opening of the newly renovated buffet at Cactus Petes in April 2016 and continued operational efficiencies at Ameristar Black Hawk. We recorded \$42.6 million of non-cash impairment to goodwill and other intangible assets as a result of the Spin-Off and Merger, which resulted in operating losses for the three and six months ended June 30, 2016.

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Other factors affecting income (loss) from continuing operations

The following is a description of the other benefits (costs) affecting income (loss) from continuing operations for the three and six months ended June 30, 2017 and 2016:

	For the three months ended June 30,		Change 2017 vs. 2016	For the six months ended June 30,		Change 2017 vs. 2016
	2017	2016		2017	2016	
	(in millions)			(in millions)		
Other benefits (costs):						
Corporate expenses and other	\$(19.8)	\$(21.1)	(6.2)%	\$(40.1)	\$(41.8)	(4.1)%
Rent expense under the Meadows Lease	\$(4.1)	\$—	NM	\$(8.2)	\$—	NM
Depreciation and amortization	\$(56.2)	\$(54.0)	4.1%	\$(112.2)	\$(108.1)	3.8%
Pre-opening, development and other costs	\$(1.8)	\$(44.0)	(95.9)%	\$(2.6)	\$(49.4)	(94.7)%
Share-based compensation expense	\$(4.3)	\$(25.7)	(83.3)%	\$(6.7)	\$(30.1)	(77.7)%
Impairment of goodwill	\$—	\$(332.9)	NM	\$—	\$(332.9)	NM
Impairment of other intangible assets	\$—	\$(129.5)	NM	\$—	\$(129.5)	NM
Write-downs, reserves and recoveries, net	\$(7.9)	\$(4.8)	64.6%	\$(8.5)	\$(7.6)	11.8%
Interest expense, net	\$(96.6)	\$(85.0)	13.6%	\$(190.7)	\$(144.8)	31.7%
Loss on early extinguishment of debt	\$—	\$(5.2)	NM	\$—	\$(5.2)	NM
Loss from equity method investment	\$(0.1)	\$(0.1)	—%	\$(0.1)	\$(0.1)	—%
Income tax benefit (expense)	\$(1.3)	\$35.0	NM	\$(1.0)	\$30.0	NM
NM - Not Meaningful						

Corporate expenses and other is principally comprised of corporate overhead expenses, HPT, and the management of Retama Park Racetrack. For the three months ended June 30, 2017, corporate expenses and other decreased year over year by \$1.3 million to \$19.8 million and decreased by \$1.7 million year over year to \$40.1 million for the six months ended June 30, 2017. The decreases are primarily attributable to lower adjustments to legal reserves during the three and six months ended June 30, 2017 as compared to the prior year periods.

Rent expense under the Meadows Lease for the three and six months ended June 30, 2017 relates to the rent expense recorded under the Meadows Lease, which commenced on September 9, 2016. Lease payments made to GLPI under the Meadows Lease were \$6.4 million and \$12.7 million for the three and six months ended June 30, 2017, respectively.

Depreciation and amortization increased for the three and six months ended June 30, 2017, as compared to the prior year periods, due primarily to the timing of the Meadows acquisition, which closed on September 9, 2016, offset by the decrease associated with the accelerated method of amortization on player relationships.

Pre-opening, development and other costs for the three and six months ended June 30, 2017 and 2016, consist of the following:

	For the three months ended June 30, 2017	For the six months ended June 30, 2016
	2017	2016

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	(in millions)			
Restructuring costs (1)	\$0.5	\$43.2	\$0.8	\$46.8
Meadows acquisition costs (2)	0.1	0.4	0.2	2.1
Other	1.2	0.4	1.6	0.5
Total pre-opening, development and other costs	\$1.8	\$44.0	\$2.6	\$49.4

(1) Amounts comprised of costs associated with the Spin-Off and Merger.

(2) Amounts comprised principally of legal, advisory and other costs associated with the acquisition and integration of the Meadows.

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Share-based compensation expense decreased for the three and six months ended June 30, 2017 as compared to the prior year periods primarily due to the accelerated vesting of share-based payment awards in the amount of \$22.6 million as a result of the Spin-Off and Merger, which offset an increase as a result of share-based payment awards granted during the three and six months ended June 30, 2017.

Impairment of goodwill for the three and six months ended June 30, 2016 consists of a non-cash impairment charge of \$332.9 million. Given that the Spin-Off and Merger transactions represented a significant financial restructuring event that increased our cash flow obligations in connection with the Master Lease, we concluded that an indicator of impairment existed as of April 28, 2016, the closing date of the transactions. During the second quarter 2016, we performed a preliminary impairment assessment, which resulted in a non-cash impairment to goodwill. During the third quarter 2016, we completed our impairment assessment on goodwill, which resulted in the reversal of \$11.6 million of non-cash impairment to goodwill.

Impairment of other intangible assets for the three and six months ended June 30, 2016 consists of non-cash impairment charges to gaming licenses and trade names, in the amounts of \$68.5 million and \$61.0 million, respectively. As a result of the Spin-Off and Merger, we concluded that an indicator of impairment existed as of April 28, 2016. The gaming license impairments pertained to our Midwest segment and the trade name impairments related to our Midwest, South and West segments, in the amounts of \$35.3 million, \$22.2 million and \$3.5 million, respectively.

Write-downs, reserves and recoveries, net consist of the following:

	For the three months ended June 30, 2017		For the six months ended June 30, 2016	
	(in millions)			
Loss on sales or disposals of long-lived assets, net	\$4.4	\$4.2	\$4.8	\$6.9
Impairment of held-to-maturity securities	3.8	—	3.8	—
Impairment of long-lived assets	—	—	—	0.2
Other	(0.3)	0.6	(0.1)	0.5
Write-downs, reserves and recoveries, net	\$7.9	\$4.8	\$8.5	\$7.6

Loss on sales or disposals of long-lived assets, net: During the three and six months ended June 30, 2017 and 2016, we recorded net losses related primarily to sales or disposals of building improvements and furniture, fixtures and equipment in the normal course of business.

Impairment of held-to-maturity securities: During the three and six months ended June 30, 2017, as a result of the lack of legislative progress and on-going negative operating results at Retama Park Racetrack, we recorded an other-than-temporary impairment on our local government corporation bonds issued by Retama Development Corporation, a local government corporation of the City of Selma, Texas.

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Interest expense, net, consists of the following:

	For the three months ended June 30, 2017		For the six months ended June 30, 2016	
	(in millions)			
Interest expense from financing obligation (1)	\$82.7	\$58.3	\$163.9	\$58.3
Interest expense from debt (2)	14.0	24.4	27.0	84.3
Interest income	(0.1)	(0.1)	(0.2)	(0.2)
Capitalized interest	—	(0.1)	—	(0.1)
Other (3)	—	2.5	—	2.5
Interest expense, net	\$96.6	\$85.0	\$190.7	\$144.8

(1) Total lease payments under the Master Lease for the three and six months ended June 30, 2017 were \$94.9 million and \$187.9 million, respectively, and were \$66.1 million for both the three and six months ended June 30, 2016.

(2) Interest expense associated with the Former Senior Secured Credit Facilities, the 6.375% Notes, the 7.50% Notes, the 7.75% Notes, and the 8.75% Notes (as such terms are defined in the “Liquidity and Capital Resources” section below), which were no longer obligations of the Company as of April 28, 2016, included in the three and six months ended June 30, 2016, was \$16.8 million and \$76.5 million, respectively.

(3) Represents a nonrecurring expense associated with the GLPI transaction.

For the three and six months ended June 30, 2017, interest expense increased as compared to the prior year periods due principally to the interest expense incurred under the Master Lease financing obligation, which offset the decrease in interest expense incurred related to our debt borrowings.

For the three and six months ended June 30, 2017, excluding the amortization of debt issuance costs and original issuance discount/premium, interest expense was \$93.4 million and \$185.5 million, respectively, as compared to \$81.8 million and \$137.4 million for the three and six months ended June 30, 2016, respectively.

Loss on early extinguishment of debt relates to the repayment, in full, of the Former Senior Secured Credit Facilities (as defined in the “Liquidity and Capital Resources” section below). The loss included the write-off of unamortized debt issuance costs and original issuance discount.

Loss on equity method investment represents losses recognized for our allocable share of an investment in a land re-vitalization project in downtown St. Louis.

Income tax benefit (expense) effective rates for continuing operations for the three and six months ended June 30, 2017, was 13.4%, or an expense of \$1.3 million, and 3.8%, or an expense of \$1.0 million, respectively, as compared to an effective tax rate of 6.7%, or a benefit of \$35.0 million, and 6.3%, or a benefit of \$30.0 million, respectively, for the corresponding prior year periods. The rates include the tax impact of certain discrete items, including changes in the tax status of certain of our legal entities. In general, our effective tax rate differs from the statutory rate of 35.0% due to the effects of permanent items, deferred tax expense on tax amortization of indefinite-lived intangible assets, changes in unrecognized tax benefits, changes in valuation allowance and state taxes.

The Spin-Off described in the “Executive Summary” was a taxable transaction. A gain was recognized for tax purposes and the tax bases of the operating assets were stepped up to fair market value at the time of the transaction. Pursuant to ASC 740, Income Taxes, the tax impact directly related to the transaction amongst shareholders was recorded to equity, consistent with the overall accounting treatment of the transaction. All changes in tax bases of assets and liabilities caused by the transactions were recorded to additional paid-in capital.

As previously noted, the failed sale-leaseback is accounted for as a financial obligation. As a result, the gaming facilities are presented on the Company’s unaudited Condensed Consolidated Balance Sheet at historical cost, net of

accumulated depreciation, and the financing obligation is recognized and amortized over the lease term. For federal and state income tax purposes, the Spin-Off and the subsequent leaseback of the gaming facilities is an operating lease. As such, the Company recognizes no tax bases in the leased gaming facilities, which creates basis differences that give rise to deferred taxes under ASC 740, Income Taxes.

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LIQUIDITY AND CAPITAL RESOURCES

We generally produce significant positive operating cash flow, though this is not always reflected in our reported net income (loss) due to large non-cash charges such as impairments to goodwill and other intangible assets and depreciation and amortization. However, our ongoing liquidity will depend on a number of factors, including available cash resources, operating cash flow, funding of construction of development projects, and our compliance with covenants contained under our debt agreements. As of June 30, 2017, we held \$159.1 million of cash and cash equivalents. As of June 30, 2017, we had \$202.6 million drawn on our \$400.0 million Revolving Credit Facility (as defined below) and \$9.2 million committed under various letters of credit.

		For the six months ended		Change 2017 vs. 2016
		June 30,		
		2017	2016	

(in millions)

Net cash provided by operating activities	\$91.0	\$87.1	4.5	%
Net cash used in investing activities	\$(39.0)	\$(47.9)	(18.6)	%
Net cash used in financing activities	\$(78.0)	\$(83.8)	(6.9)	%

Operating Cash Flow

Our net cash provided by operating activities for the six months ended June 30, 2017, as compared to the prior year period, increased due to the expenses and other costs associated with the completion of the Spin-Off and Merger, which are included in the prior year period, and a decrease in interest payments made on long-term debt, offset by an increase in interest payments made on the financing obligation of \$105.6 million, \$12.7 million of lease payments made under the Meadows Lease, and a decrease due the timing of payments and receipts of working capital items.

Investing Cash Flow

The following is a summary of our capital expenditures by segment:

		For the six months ended June 30,	
		2017	2016

(in millions)

Midwest segment	\$21.6	\$24.1
South segment	10.2	15.5
West segment	2.1	5.0
Corporate and other, including development projects	4.8	3.0
Total capital expenditures	\$38.7	\$47.6

Our intention is to use existing cash resources, expected operating cash flow and funds available under our Senior Secured Credit Facilities to fund operations, maintain existing facilities, make necessary debt service payments, make necessary payments under the Master Lease and the Meadows Lease, fund any potential acquisition and development projects, and repurchase shares of our common stock. In the event that our future operating cash flow does not match the levels we currently anticipate, whether due to downturns in the economy or otherwise, we may need to raise funds through the capital markets, if possible.

Our ability to borrow under our Senior Secured Credit Facilities is contingent upon, among other things, meeting customary financial and other covenants. If we are unable to borrow under our Senior Secured Credit Facilities, or if our operating results are adversely affected because of a reduction in consumer spending, or for any other reason, our ability to maintain our existing facilities or complete our ongoing projects may be affected unless we sell assets, enter into leasing arrangements, or take other measures to find additional financial resources. There is no certainty that we will be able to do so on terms that are favorable to the Company or at all.

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Financing Cash Flow

Master Lease Financing Obligation

The Master Lease is accounted for as a financing obligation. The obligation was calculated at lease inception based on the future minimum lease payments due to GLPI under the Master Lease discounted at 10.5%. The discount rate represents the estimated incremental borrowing rate over the lease term of 35 years, which included renewal options that were reasonably assured of being exercised. As of April 28, 2016, the commencement date of the Master Lease, the financing obligation was determined to be \$3.2 billion.

Fourteen of our sixteen gaming facilities are subject to the Master Lease with GLPI. The Master Lease has an initial term of 10 years with five subsequent, five-year renewal periods at our option. The rent, which is payable in monthly installments, is comprised of base rent, which includes a land and a building component, and percentage rent. The land base rent is fixed for the entire lease term. The building base rent is subject to an annual escalation of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Master Lease) of 1.8:1. The building base rent was adjusted by the annual escalation beginning in May 2017. The percentage rent, which is fixed for the first two years, will be adjusted every two years to establish a new fixed amount for the next two-year period. Each new fixed amount will be calculated by multiplying 4% by the difference between (i) the average net revenues for the trailing two-year period and (ii) \$1.1 billion.

As of June 30, 2017, the annual rent under the Master Lease was \$382.8 million, which was comprised of the land base rent, the building base rent and the percentage rent, which were \$44.1 million, \$294.6 million and \$44.1 million, respectively.

During the six months ended June 30, 2017, the Company made principal payments on the Master Lease financing obligation of \$24.0 million.

Financing in Connection with the Spin-Off and Merger

In connection with the Spin-Off and Merger, on April 28, 2016, the Company made a dividend to Former Pinnacle in the amount of \$808.4 million (the "Cash Payment"), which was equal to the amount of existing debt outstanding of Former Pinnacle as of April 28, 2016, less approximately \$2.7 billion that GLPI assumed pursuant to the Merger Agreement. Immediately prior to the consummation of the Spin-Off and Merger, the August 2013 amended and restated credit agreement ("Former Senior Secured Credit Facilities") was repaid in full and terminated and the 6.375% senior notes due 2021 ("6.375% Notes"), the 7.50% senior notes due 2021 ("7.50% Notes") and the 7.75% senior subordinated notes due 2022 ("7.75% Notes") were redeemed. Former Pinnacle's indenture governing its 8.75% senior subordinated notes due 2020 ("8.75% Notes") was redeemed on May 15, 2016. Following the consummation of the Spin-Off and Merger, the Company had no outstanding obligations under the Former Senior Secured Credit Facilities, the 6.375% Notes, the 7.50% Notes, the 7.75% Notes and the 8.75% Notes.

On April 28, 2016, the Company completed its debt financings in connection with the Merger, consisting of (i) \$375.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "Existing 5.625% Notes") and (ii) the credit agreement among the Company and certain lenders thereto (the "Credit Agreement"), comprised of (x) a \$185.0 million term loan A facility with a maturity of five years (the "Term Loan A Facility"), (y) a \$300.0 million term loan B facility with a maturity of seven years (the "Term Loan B Facility") and (z) a \$400.0 million revolving credit facility with a maturity of five years (the "Revolving Credit Facility" and together with the Term Loan A Facility and the Term Loan B Facility, the "Senior Secured Credit Facilities").

The proceeds of the Senior Secured Credit Facilities, together with the proceeds of the Existing 5.625% Notes were used on April 28, 2016 (i) to make the Cash Payment and (ii) to pay fees and expenses related to the issuance of the Senior Secured Credit Facilities and the Existing 5.625% Notes.

Senior Secured Credit Facilities

As of June 30, 2017, we had \$202.6 million drawn under the Revolving Credit Facility, \$175.7 million of loans outstanding under the Term Loan A Facility, \$20.0 million of loans outstanding under the Term Loan B Facility and \$9.2 million committed under various letters of credit. During the six months ended June 30, 2017, we retired \$149.9

million in aggregate principal amount of debt under the Term Loan A Facility and Term Loan B Facility and drew \$95.4 million on the Revolving Credit Facility. The net debt retired during the six months ended June 30, 2017 was accomplished principally with operating cash flow. Subsequent to June 30, 2017, the Company fully repaid the outstanding principal amount of the Term Loan B Facility.

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Proceeds from loans under the Revolving Credit Facility are used for working capital, to fund permitted dividends, distributions and acquisitions, for general corporate purposes and for any other purpose not prohibited by the Credit Agreement.

Loans under the Term Loan A Facility and Revolving Credit Facility bear interest at a rate per annum equal to, at our option, LIBOR plus an applicable margin from 1.50% to 2.50% or the base rate plus an applicable margin from 0.50% to 1.50%, in each case, depending on the Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement) as of the most recent fiscal quarter. Loans under the Term Loan B Facility bore interest at a rate per annum equal to, at our option, LIBOR plus 3.00% or the base rate plus 2.00% and in no event was LIBOR to be less than 0.75%. In addition, we pay a commitment fee on the unused portion of the commitments under the Revolving Credit Facility at a rate that ranges from 0.30% to 0.50% per annum, depending on the Consolidated Total Net Leverage Ratio as of the most recent fiscal quarter.

The Term Loan A Facility amortizes in equal quarterly amounts equal to a percentage of the original outstanding principal amount at closing as follows: (i) 5% per annum in the first two years, (ii) 7.5% per annum in the third year and (iii) 10% per annum in the fourth and fifth year. The remaining principal amount is payable on April 28, 2021. The Term Loan B Facility amortized in equal quarterly amounts equal to 1% per annum of the original outstanding principal amount at closing. The Revolving Credit Facility is not subject to amortization and is due and payable on April 28, 2021.

Loans under the Senior Secured Credit Facilities may be prepaid at par and commitments under the Revolving Credit Facility may be reduced at any time, in whole or in part, without premium or penalty (except for LIBOR breakage costs). Loans under the Senior Secured Credit Facilities will be subject to mandatory prepayment with (i) a percentage of the Company's excess cash flow depending on the Consolidated Total Net Leverage Ratio of the Company, (ii) net cash proceeds from asset sales and casualty and condemnation events (subject to customary reinvestment rights and other customary exceptions) and (iii) net cash proceeds from the issuance or incurrence of indebtedness after the closing date (subject to customary exceptions).

All obligations under the Senior Secured Credit Facilities will be unconditionally guaranteed by each of the Company's existing and future direct and indirect wholly owned domestic subsidiaries, subject to certain customary exceptions. All obligations of the Company under the Senior Secured Credit Facilities and the guarantees of those obligations will be secured by a first priority security interest in substantially all of the assets of the Company and the guarantors thereto, subject to certain exceptions. The property pledged by the Company and such guarantors includes a first priority pledge of the leasehold interests of tenant in the Master Lease; a first priority pledge of all of the equity interests owned by the Company and such guarantors in the direct wholly-owned domestic subsidiaries of the Company and such guarantors.

The Credit Agreement contains, among other things, certain affirmative and negative covenants and, solely for the benefit of the lenders under the Senior Secured Credit Facilities, financial covenants, including (1) maximum permitted Consolidated Total Net Leverage Ratio of 4.00 to 1.00; (2) maximum permitted Consolidated Senior Secured Net Leverage Ratio (as defined in the Credit Agreement) of 2.50 to 1.00; and (3) required minimum Interest Coverage Ratio (as defined in the Credit Agreement) of 2.50 to 1.00. The maximum Consolidated Total Net Leverage Ratio is subject to change at each fiscal quarter until December 31, 2017. The Credit Agreement also contains certain customary events of default, including the occurrence of a change of control, revocation of material licenses by gaming authorities (subject to a cure period), termination of the Master Lease and cross-default to certain events of default under the Master Lease.

As of June 30, 2017, we were in compliance with the financial covenant ratios under the Senior Secured Credit Facilities and compliance with these financial covenant ratios does not have a material impact on our financial

flexibility, including our ability to incur new indebtedness based on our operating plans.

5.625% Notes due 2024

The Existing 5.625% Notes were issued at par, mature on May 1, 2024, and bear interest at the rate of 5.625% per annum. Interest on the Existing 5.625% Notes is payable semi-annually on May 1st and November 1st of each year, commencing November 1, 2016. On October 12, 2016, we issued an additional \$125.0 million in aggregate principal amount of 5.625% senior notes due 2024 (the “Additional 5.625% Notes” and together with the Existing 5.625% Notes, the “5.625% Notes”), under the bond indenture governing the Existing 5.625% Notes issued on April 28, 2016, as amended and supplemented by that certain first supplemental indenture, dated as of October 12, 2016. The Additional 5.625% Notes were issued at par plus a premium of 50 basis points. The 5.625% Notes were issued pursuant to Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”). In June 2017, we filed a registration statement with the Securities and Exchange Commission (the “SEC”) with respect to a registered offer to exchange the 5.625% Notes for a new issue of substantially identical notes (except that the new exchange notes will not contain terms with respect to additional interest or transfer restrictions), which was declared effective by the SEC under the Securities Act in July 2017.

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The Company may redeem the 5.625% Notes at any time, and from time to time, on or after May 1, 2019, at the declining redemption premiums set forth in the indenture, together with accrued and unpaid interest. Prior to May 1, 2019, the Company may redeem the 5.625% Notes at any time, and from time to time, at a redemption price equal to 100% of the principal amount of the 5.625% Notes redeemed plus a “make-whole” redemption premium described in the indenture, together with accrued and unpaid interest. In addition, at any time prior to May 1, 2019, the Company may redeem the 5.625% Notes with an amount of cash equal to the net proceeds of one or more equity offerings, within a specified period of time after the closing of any such equity offering, at a redemption price equal to 105.625% of the principal amount of the 5.625% Notes redeemed, together with accrued and unpaid interest, so long as at least 65% of the aggregate principal amount of the 5.625% Notes originally issued under the indenture remains outstanding. If the Company engages in any asset sales, subject to certain exceptions, the Company generally must use the proceeds for specified purposes within a specified period of time or use the excess net proceeds from such asset sales to offer to purchase the 5.625% Notes from holders at a price equal to 100% of the principal amount of the 5.625% Notes, together with accrued and unpaid interest.

The 5.625% Notes are the Company’s senior unsecured obligations and rank pari passu in right of payment with all of the Company’s senior unsecured indebtedness, and senior in right of payment to all of the Company’s subordinated indebtedness, without giving effect to collateral arrangements. The 5.625% Notes are effectively subordinated to the Company’s secured indebtedness, including the Senior Secured Credit Facilities, to the extent of the value of the assets securing such indebtedness. The 5.625% Notes are not guaranteed by any of the Company’s subsidiaries, except in the event that the Company in the future incurs certain subsidiary-guaranteed unsecured indebtedness, and, therefore, the 5.625% Notes will be structurally subordinated to all liabilities of the Company’s subsidiaries, including their guarantees of the Company’s Senior Secured Credit Facilities.

The indenture contains covenants limiting the Company’s and its restricted subsidiaries’ ability to: pay dividends or distributions or repurchase equity; incur additional debt or issue disqualified stock and, in the case of subsidiaries, preferred stock; make investments; create liens on assets to secure certain debt; enter into transactions with affiliates; merge or consolidate with another company; transfer and sell assets; create dividend and other payment restrictions affecting subsidiaries; designate subsidiaries as unrestricted subsidiaries; and make certain amendments to the Master Lease. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

Events of default under the indenture include, among others, the following: default for 30 days in the payment when due of interest on the 5.625% Notes; default in payment when due of the principal of, or premium, if any, on the 5.625% Notes; failure to comply with covenants in the indenture for 60 days after the receipt of notice from the trustee or holders of 25% in aggregate principal amount of the 5.625% Notes (unless such failure to comply has been waived); acceleration or payment default of debt in excess of a specified amount; unpaid judgments in excess of a specified amount; certain events of bankruptcy or insolvency; and the Master Lease terminating or ceasing to be effective in certain circumstances.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

There were no material changes during the three months ended June 30, 2017 to our contractual obligations and commitments as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

A description of our critical accounting estimates can be found in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016. For a more extensive discussion of our accounting policies, see Note 1, “Organization and Summary of Significant Accounting Policies,” in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2016. There were no newly identified critical accounting policies and estimates in the second quarter 2017, nor were there any material changes to the critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the year ended December 31, 2016.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Act”) provides certain “safe harbor” provisions for forward-looking statements. Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q, as well as in other reports filed with or furnished to the SEC or statements made by us, may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. From time to time, we may provide oral or written forward-looking statements in our other periodic reports on Form 10-Q, Form 8-K, press releases and other materials released to the public. All forward-looking statements made in this Quarterly Report on Form 10-Q and any documents we incorporate by reference are made pursuant to the Act. Words such as, but not limited to, “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,”

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“could,” “may,” “will,” “should,” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements, which may include, without limitation, statements regarding the expected results of operations and future operating performance and future growth; adequacy of resources to fund development and expansion projects; liquidity; financing options, including the state of the capital markets and our ability to access the capital markets; the state of the credit markets and economy; cash needs; cash reserves; operating and capital expenses; expense reductions, the sufficiency of insurance coverage; anticipated marketing costs at various projects; the future outlook of the Company and the gaming industry and pending regulatory and legal matters; the potential occurrence of impairments to goodwill, other intangible assets or long-lived assets; extreme weather conditions or climate change; potential work stoppages or other labor problems; cyber security risks; the ability of the Company to continue to meet its financial and other covenants governing the Senior Secured Credit Facilities, the bond indenture governing its 5.625% Notes, the Master Lease and the Meadows Lease; the Company’s anticipated future capital expenditures; the ability to implement strategies to improve revenues and operating margins at the Company’s properties; reduce costs and debt; the Company’s ability to successfully implement marketing programs to increase revenue at the Company’s properties; and the Company’s ability to improve operations and performance, are all subject to a variety of risks and uncertainties that could cause actual results to differ materially from those anticipated by us. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. For more information on the potential factors that could affect our operating results and financial condition in addition to the risk factors described above, review our other filings (other than any portion of such filings that are furnished under applicable SEC rules rather than filed) with the SEC, including this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K and the risk factors described therein. Factors that may cause our actual performance to differ materially from that contemplated by such forward-looking statements include, among others:

• Our business is particularly sensitive to reductions in consumers’ discretionary spending as a result of downturns in the economy or other changes we cannot accurately predict;

The gaming industry is very competitive and increased competition, including through legislative legalization or expansion of gaming by states in or near where we operate facilities or through Native American gaming facilities and internet gaming, could adversely affect our financial results;

• Our gaming operations rely heavily on technology services provided by third parties. In the event that there is an interruption of these services to us, it may have an adverse effect on our operations and financial condition;

Our business may be harmed from cyber security risk and we may be subject to legal claims if there is loss, disclosure or misappropriation of or access to our guests’ or our business partners’ or our own information or other breaches of our information security;

We are required to pay a significant portion of our cash flows pursuant to and subject to the terms and conditions of the Master Lease and the Meadows Lease, which could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes;

• Substantially all of our gaming facilities are leased and could experience risks associated with leased property, including risks relating to lease termination, lease extensions, charges and our relationship with GLPI, which could have a material adverse effect on our business, financial position or results of operations;

• We face risks associated with growth and acquisitions;

We derived 28.5% and 28.7% of our revenues in 2016 from our casinos located in Louisiana and Missouri, respectively, and are especially subject to certain risks, including economic and competitive risks, associated with the conditions in those areas and in the states from which we draw patrons;

Our present indebtedness and projected future borrowings could adversely affect our financial health; future cash flows may not be sufficient to meet our obligations, and we may have difficulty obtaining additional financing; and we may experience adverse effects of interest rate fluctuations;

Our indebtedness imposes restrictive covenants on us;

To service our indebtedness and make payments under the Master Lease and the Meadows Lease, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control;

- Our ability to obtain additional financing on commercially reasonable terms may be limited;

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We may experience an impairment of our goodwill, other intangible assets, or long-lived assets, which could adversely affect our financial condition and results of operations;

Insufficient or lower-than-expected results generated from our new developments and acquisitions may negatively affect our operating results and financial condition;

Rising operating costs at our operations could have a negative impact on our business;

Our slots and table games hold percentages may fluctuate;

Recessions have affected our business and financial condition, and economic conditions may continue to affect us in ways that we currently cannot accurately predict;

We expect to be engaged from time to time in one or more construction and development projects, and many factors could prevent us from completing them as planned, including the escalation of construction costs beyond increments anticipated in our construction budgets;

Our industry is highly regulated, which makes us dependent on obtaining and maintaining gaming licenses and subjects us to potentially significant fines and penalties;

Potential changes in the regulatory environment could harm our business;

Our business may be adversely affected by legislation prohibiting tobacco smoking;

Our operations are largely dependent on the skill and experience of our management and key personnel. The loss of management and other key personnel could significantly harm our business, and we may not be able to effectively replace members of management who have left our company;

Adverse weather conditions, road construction, gasoline shortages and other factors affecting our facilities and the areas in which we operate could make it more difficult for potential customers to travel to the facilities on which we operate and deter customers from visiting our facilities;

Our results of operations and financial condition could be materially adversely affected by the occurrence of natural disasters, such as hurricanes, or other catastrophic events, including war and terrorism;

We are exposed to a variety of natural disasters such as named windstorms, floods and earthquakes and this can make it challenging for us to obtain adequate levels of weather catastrophe occurrence insurance coverage for our facilities at reasonable rates, if at all;

We may incur property and other losses that are not adequately covered by insurance, which may harm our results of operations;

The concentration and evolution of the slot machine manufacturing industry or other technological conditions could impose additional costs on us;

We operate in a highly taxed industry and it may be subject to higher taxes in the future. If the jurisdictions in which we operate increase gaming taxes and fees, our operating results could be adversely affected;

Work stoppages, organizing drives and other labor problems could negatively impact our future profits;

We face environmental and archaeological regulation of the real estate on which we operate;

We are subject to litigation, which, if adversely determined, could cause us to incur substantial losses;

We are subject to certain federal, state and other regulations;

Climate change, climate change regulations and greenhouse effects may adversely impact our operations and markets;

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- We face business and regulatory risks associated with our investment in Asian Coast Development (Canada), Ltd.;
- We are subject to extensive governmental regulations that impose restrictions on the ownership and transfer of our securities; and
- The market price for our common stock may be volatile, and you may not be able to sell our stock at a favorable price or at all.

In addition, these forward-looking statements could be affected by general domestic and international economic and political conditions, uncertainty as to the future direction of the economy and vulnerability of the economy to domestic or international incidents, as well as market conditions in our industry.

For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, please see the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections contained in our Annual Report on Form 10-K for the year ended December 31, 2016 and review our other filings (other than any portion of such filings that are furnished under applicable SEC rules rather than filed) with the SEC. All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Form 10-Q. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from adverse changes in interest rates with respect to the short-term floating interest rate on borrowings under our Senior Secured Credit Facilities. As of June 30, 2017, we had \$202.6 million drawn under our Revolving Credit Facility and had \$9.2 million committed under various letters of credit. In addition, as of June 30, 2017, we had \$175.7 million and \$20.0 million of principal outstanding under the Term Loan A Facility and the Term Loan B Facility, respectively. Subsequent to June 30, 2017, the Company fully repaid the outstanding principal amount of the Term Loan B Facility.

Loans under the Term Loan A Facility and Revolving Credit Facility bear interest at a rate per annum equal to, at our option, LIBOR plus an applicable margin from 1.50% to 2.50% or the base rate plus an applicable margin from 0.50% to 1.50%, in each case, depending on the Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement) as of the most recent fiscal quarter. Loans under the Term Loan B Facility bore interest at a rate per annum equal to, at our option, LIBOR plus 3.00% or the base rate plus 2.00% and in no event was LIBOR to be less than 0.75%.

As of June 30, 2017, for every 50 basis points decrease in LIBOR, our annual interest expense would decrease by approximately \$2.0 million, assuming constant debt levels. As of June 30, 2017, if LIBOR were to increase by 50 basis points, our annual interest expense would increase by approximately \$2.0 million, assuming constant debt levels. The table below provides the principal cash flows and related weighted average interest rates by contractual maturity dates for our debt obligations as of June 30, 2017. As of June 30, 2017, we did not hold any material investments in market-risk-sensitive instruments of the type described in Item 305 of Regulation S-K.

	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
	(in thousands)							
Revolving Credit Facility	\$—	\$—	\$—	\$—	\$202,600	\$—	\$202,600	\$198,548
Interest Rate	3.17 %	3.17 %	3.17 %	3.17 %	3.17 %	—	3.17 %	
Term Loan A Facility	\$4,625	\$11,562	\$16,188	\$18,500	\$124,875	\$—	\$175,750	\$175,750
Interest Rate	3.17 %	3.17 %	3.17 %	3.17 %	3.17 %	—	3.17 %	
Term Loan B Facility	\$—	\$3,000	\$3,000	\$3,000	\$3,000	\$8,000	\$20,000	\$20,100
Interest Rate	4.17 %	4.17 %	4.17 %	4.17 %	4.17 %	4.17 %	4.17 %	
5.625% Notes	\$—	\$—	\$—	\$—	\$—	\$500,000	\$500,000	\$520,000
Interest Rate	5.625 %	5.625 %	5.625 %	5.625 %	5.625 %	5.625 %	5.625 %	
Other	\$4	\$9	\$9	\$10	\$11	\$30	\$73	\$73
Interest Rate	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	

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Item 4. Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of June 30, 2017. Based on this evaluation, the Company's management, including the CEO and the CFO, concluded that, as of June 30, 2017, the Company's disclosure controls and procedures were effective, in that they provide a reasonable level of assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II

Item 1. Legal Proceedings

We are a party to a number of other pending legal proceedings. Management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on our financial position, cash flows or results of operations.

Item 1A. Risk Factors

There were no material changes from the risk factors set forth under Part I, Item 1A “Risk Factors” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Pinnacle Entertainment, Inc. is hereby incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on April 20, 2016. (SEC File No. 001-37666).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Pinnacle Entertainment, Inc. is hereby incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 28, 2016. (SEC File No. 001-37666).
3.3	Amended and Restated Bylaws of Pinnacle Entertainment, Inc. is hereby incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on February 17, 2017. (SEC File No. 001-37666).
11*	Statement re: Computation of Per Share Earnings.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32**	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
	Financial statements from Pinnacle Entertainment, Inc.’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, formatted in XBRL (eXtensible Business Reporting Language):
	(i) unaudited Condensed Consolidated Statements of Operations,
	(ii) unaudited Condensed Consolidated Statements of Comprehensive Income (Loss),
101*	(iii) unaudited Condensed Consolidated Balance Sheets,
	(iv) unaudited Condensed Consolidated Statement of Changes in Stockholders’ Deficit,
	(v) unaudited Condensed Consolidated Statements of Cash Flows; and
	(vi) Notes to unaudited Condensed Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

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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.

PINNACLE ENTERTAINMENT, INC.
(Registrant)

Date: August 10, 2017 By: /s/ Carlos A. Ruisanchez

Carlos A. Ruisanchez

President and Chief Financial Officer

(Authorized Officer, Principal Financial Officer and Principal Accounting Officer)

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32**	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
101*	Financial statements from Pinnacle Entertainment, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) unaudited Condensed Consolidated Statements of Operations, (ii) unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) unaudited Condensed Consolidated Balance Sheets, (iv) unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficit, (v) unaudited Condensed Consolidated Statements of Cash Flows; and (vi) Notes to unaudited Condensed Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.