

BOYD GAMING CORP  
Form 10-Q  
May 09, 2018

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

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended March 31, 2018

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: 1-12882

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BOYD GAMING CORPORATION

(Exact name of registrant as specified in its charter)

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Nevada 88-0242733  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169  
(Address of principal executive offices) (Zip Code)  
(702) 792-7200  
(Registrant's telephone number, including area code)

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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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth 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. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                          | Outstanding as of May 4, 2018 |
|--------------------------------|-------------------------------|
| Common stock, \$0.01 par value | 112,542,899                   |

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BOYD GAMING CORPORATION  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE PERIOD ENDED MARCH 31, 2018  
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## PART I. Financial Information

## Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

|                                                                                                               | March 31,<br>2018 | December<br>31,<br>2017 |
|---------------------------------------------------------------------------------------------------------------|-------------------|-------------------------|
| (In thousands, except share data)                                                                             |                   |                         |
| <b>ASSETS</b>                                                                                                 |                   |                         |
| Current assets                                                                                                |                   |                         |
| Cash and cash equivalents                                                                                     | \$179,706         | \$203,104               |
| Restricted cash                                                                                               | 25,794            | 24,175                  |
| Accounts receivable, net                                                                                      | 36,499            | 40,322                  |
| Inventories                                                                                                   | 17,617            | 18,004                  |
| Prepaid expenses and other current assets                                                                     | 36,826            | 37,873                  |
| Income taxes receivable                                                                                       | 5,185             | 5,185                   |
| Total current assets                                                                                          | 301,627           | 328,663                 |
| Property and equipment, net                                                                                   | 2,512,713         | 2,539,786               |
| Other assets, net                                                                                             | 79,567            | 81,128                  |
| Intangible assets, net                                                                                        | 842,317           | 842,946                 |
| Goodwill, net                                                                                                 | 888,224           | 888,224                 |
| Other long-term tax assets                                                                                    | 5,183             | 5,183                   |
| Total assets                                                                                                  | \$4,629,631       | \$4,685,930             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                   |                   |                         |
| Current liabilities                                                                                           |                   |                         |
| Accounts payable                                                                                              | \$75,816          | \$106,323               |
| Current maturities of long-term debt                                                                          | 23,981            | 23,981                  |
| Accrued liabilities                                                                                           | 280,076           | 255,146                 |
| Income tax payable                                                                                            | 1,842             | 21                      |
| Total current liabilities                                                                                     | 381,715           | 385,471                 |
| Long-term debt, net of current maturities and debt issuance costs                                             | 2,969,223         | 3,051,899               |
| Deferred income taxes                                                                                         | 94,381            | 86,657                  |
| Other long-term tax liabilities                                                                               | 3,494             | 3,447                   |
| Other liabilities                                                                                             | 63,256            | 61,229                  |
| Commitments and contingencies (Notes 3, 8 and 9)                                                              |                   |                         |
| Stockholders' equity                                                                                          |                   |                         |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized                                                | —                 | —                       |
| Common stock, \$0.01 par value, 200,000,000 shares authorized; 112,651,223 and 112,634,418 shares outstanding | 1,126             | 1,126                   |
| Additional paid-in capital                                                                                    | 917,393           | 931,858                 |
| Retained earnings                                                                                             | 199,877           | 164,425                 |
| Accumulated other comprehensive loss                                                                          | (834)             | (182)                   |
| Total stockholders' equity                                                                                    | 1,117,562         | 1,097,227               |
| Total liabilities and stockholders' equity                                                                    | \$4,629,631       | \$4,685,930             |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

|                                                         | Three Months Ended<br>March 31, |           |
|---------------------------------------------------------|---------------------------------|-----------|
| (In thousands, except per share data)                   | 2018                            | 2017      |
| Revenues                                                |                                 |           |
| Gaming                                                  | \$440,463                       | \$443,945 |
| Food and beverage                                       | 85,399                          | 86,605    |
| Room                                                    | 47,912                          | 46,850    |
| Other                                                   | 32,344                          | 32,665    |
| Total revenues                                          | 606,118                         | 610,065   |
| Operating costs and expenses                            |                                 |           |
| Gaming                                                  | 189,035                         | 191,933   |
| Food and beverage                                       | 82,690                          | 84,348    |
| Room                                                    | 20,933                          | 21,307    |
| Other                                                   | 20,805                          | 21,415    |
| Selling, general and administrative                     | 87,583                          | 91,613    |
| Maintenance and utilities                               | 27,926                          | 26,399    |
| Depreciation and amortization                           | 51,276                          | 53,964    |
| Corporate expense                                       | 25,857                          | 20,798    |
| Project development, preopening and writedowns          | 3,440                           | 2,972     |
| Other operating items, net                              | 1,799                           | 486       |
| Total operating costs and expenses                      | 511,344                         | 515,235   |
| Operating income                                        | 94,774                          | 94,830    |
| Other expense (income)                                  |                                 |           |
| Interest income                                         | (457)                           | (460)     |
| Interest expense, net of amounts capitalized            | 44,259                          | 43,674    |
| Loss on early extinguishments and modifications of debt | 61                              | 156       |
| Other, net                                              | (380)                           | 111       |
| Total other expense, net                                | 43,483                          | 43,481    |
| Income from continuing operations before income taxes   | 51,291                          | 51,349    |
| Income tax provision                                    | (9,892)                         | (16,273)  |
| Income from continuing operations, net of tax           | 41,399                          | 35,076    |
| Income from discontinued operations, net of tax         | —                               | 375       |
| Net income                                              | \$41,399                        | \$35,451  |
| Basic net income per common share                       |                                 |           |
| Continuing operations                                   | \$0.36                          | \$0.31    |
| Discontinued operations                                 | —                               | —         |
| Basic net income per common share                       | \$0.36                          | \$0.31    |
| Weighted average basic shares outstanding               | 114,375                         | 115,269   |
| Diluted net income per common share                     |                                 |           |
| Continuing operations                                   | \$0.36                          | \$0.31    |
| Discontinued operations                                 | —                               | —         |
| Diluted net income per common share                     | \$0.36                          | \$0.31    |
| Weighted average diluted shares outstanding             | 115,154                         | 115,902   |

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|                                     |        |     |
|-------------------------------------|--------|-----|
| Dividends declared per common share | \$0.05 | \$— |
|-------------------------------------|--------|-----|

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

|                                                                     | Three Months<br>Ended<br>March 31, |          |
|---------------------------------------------------------------------|------------------------------------|----------|
| (In thousands)                                                      | 2018                               | 2017     |
| Net income                                                          | \$41,399                           | \$35,451 |
| Other comprehensive (loss) income, net of tax:                      |                                    |          |
| Fair value adjustments to available-for-sale securities, net of tax | (964                               | ) 571    |
| Comprehensive income                                                | \$40,435                           | \$36,022 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

| (In thousands, except share data)                                               | Boyd Gaming Corporation Stockholders' Equity |         |                 |                                |                                        |                |             |
|---------------------------------------------------------------------------------|----------------------------------------------|---------|-----------------|--------------------------------|----------------------------------------|----------------|-------------|
|                                                                                 | Common Stock                                 |         | Additional      | Retained                       | Accumulated                            | Noncontrolling | Total       |
|                                                                                 | Shares                                       | Amount  | Paid-in Capital | Earnings (Accumulated Deficit) | Other Comprehensive Income (Loss), Net | Interest       |             |
| Balances, January 1, 2018                                                       | 112,634,418                                  | \$1,126 | \$931,858       | \$ 164,425                     | \$ (182 )                              | \$ —           | \$1,097,227 |
| Cumulative effect of change in accounting principle, adoption of Update 2018-02 | —                                            | —       | —               | (312 )                         | 312                                    | —              | —           |
| Net income                                                                      | —                                            | —       | —               | 41,399                         | —                                      | —              | 41,399      |
| Comprehensive income attributable to Boyd, net of tax                           | —                                            | —       | —               | —                              | (964 )                                 | —              | (964 )      |
| Stock options exercised                                                         | 221,400                                      | 2       | 2,043           | —                              | —                                      | —              | 2,045       |
| Release of restricted stock units, net of tax                                   | 16,957                                       | —       | (364 )          | —                              | —                                      | —              | (364 )      |
| Release of performance stock units, net of tax                                  | 337,537                                      | 4       | (5,274 )        | —                              | —                                      | —              | (5,270 )    |
| Shares repurchased and retired                                                  | (559,089 )                                   | (6 )    | (19,797 )       | —                              | —                                      | —              | (19,803 )   |
| Dividends declared                                                              | —                                            | —       | —               | (5,635 )                       | —                                      | —              | (5,635 )    |
| Share-based compensation costs                                                  | —                                            | —       | 8,927           | —                              | —                                      | —              | 8,927       |
| Balances, March 31, 2018                                                        | 112,651,223                                  | \$1,126 | \$917,393       | \$ 199,877                     | \$ (834 )                              | \$ —           | \$1,117,562 |
| Balances, January 1, 2017                                                       | 112,896,377                                  | \$1,129 | \$953,440       | \$ (23,824 )                   | \$ (615 )                              | \$ 50          | \$930,180   |
| Cumulative effect of change in accounting principle, adoption of Update 2016-09 | —                                            | —       | —               | 15,777                         | —                                      | —              | 15,777      |
| Net income                                                                      | —                                            | —       | —               | 35,451                         | —                                      | —              | 35,451      |
| Comprehensive income attributable to Boyd, net of tax                           | —                                            | —       | —               | —                              | 571                                    | —              | 571         |
| Stock options exercised                                                         | 16,050                                       | —       | 127             | —                              | —                                      | —              | 127         |
| Release of restricted stock units, net of tax                                   | 142,998                                      | 1       | (2,163 )        | —                              | —                                      | —              | (2,162 )    |
| Release of performance stock units, net of tax                                  | 173,653                                      | 2       | (1,793 )        | —                              | —                                      | —              | (1,791 )    |
| Share-based compensation costs                                                  | —                                            | —       | 3,083           | —                              | —                                      | —              | 3,083       |
| Other                                                                           | —                                            | —       | 537             | —                              | —                                      | (50 )          | 487         |
| Balances, March 31, 2017                                                        | 113,229,078                                  | \$1,132 | \$953,231       | \$ 27,404                      | \$ (44 )                               | \$ —           | \$981,723   |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

|                                                                                   | Three Months Ended<br>March 31, |            |
|-----------------------------------------------------------------------------------|---------------------------------|------------|
| (In thousands)                                                                    | 2018                            | 2017       |
| Cash Flows from Operating Activities                                              |                                 |            |
| Net income                                                                        | \$41,399                        | \$35,451   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |            |
| Income from discontinued operations, net of tax                                   | —                               | (375 )     |
| Depreciation and amortization                                                     | 51,276                          | 53,964     |
| Amortization of debt financing costs and discounts on debt                        | 2,186                           | 2,213      |
| Share-based compensation expense                                                  | 8,927                           | 3,083      |
| Deferred income taxes                                                             | 8,094                           | 15,159     |
| Loss on early extinguishments and modifications of debt                           | 61                              | 156        |
| Other operating activities                                                        | 56                              | 766        |
| Changes in operating assets and liabilities:                                      |                                 |            |
| Accounts receivable, net                                                          | 3,823                           | 2,185      |
| Inventories                                                                       | 387                             | 606        |
| Prepaid expenses and other current assets                                         | 1,047                           | (1,633 )   |
| Income taxes payable                                                              | 1,821                           | 1,517      |
| Other assets, net                                                                 | 169                             | (217 )     |
| Accounts payable and accrued liabilities                                          | (2,795 )                        | 4,959      |
| Other long-term tax liabilities                                                   | 47                              | 31         |
| Other liabilities                                                                 | 2,027                           | (261 )     |
| Net cash provided by operating activities                                         | 118,525                         | 117,604    |
| Cash Flows from Investing Activities                                              |                                 |            |
| Capital expenditures                                                              | (25,918 )                       | (80,038 )  |
| Advances pursuant to development agreement                                        | —                               | (35,108 )  |
| Other investing activities                                                        | (500 )                          | 44         |
| Net cash used in investing activities                                             | (26,418 )                       | (115,102 ) |
| Cash Flows from Financing Activities                                              |                                 |            |
| Borrowings under bank credit facility                                             | 179,600                         | 256,700    |
| Payments under bank credit facility                                               | (264,403 )                      | (275,063 ) |
| Debt financing costs, net                                                         | (9 )                            | (1,889 )   |
| Share-based compensation activities, net                                          | (3,589 )                        | (3,826 )   |
| Shares repurchased and retired                                                    | (19,803 )                       | —          |
| Dividends paid                                                                    | (5,632 )                        | —          |
| Other financing activities                                                        | (50 )                           | (95 )      |
| Net cash used in financing activities                                             | (113,886 )                      | (24,173 )  |
| Cash Flows from Discontinued Operations                                           |                                 |            |
| Cash flows from operating activities                                              | —                               | (255 )     |
| Cash flows from investing activities                                              | —                               | 630        |
| Cash flows from financing activities                                              | —                               | —          |
| Net cash provided by discontinued operations                                      | —                               | 375        |
| Change in cash, cash equivalents and restricted cash                              | (21,779 )                       | (21,296 )  |
| Cash, cash equivalents and restricted cash, beginning of period                   | 227,279                         | 210,350    |
| Cash, cash equivalents and restricted cash, end of period                         | \$205,500                       | \$189,054  |
| Supplemental Disclosure of Cash Flow Information                                  |                                 |            |
| Cash paid for interest, net of amounts capitalized                                | \$16,897                        | \$29,851   |

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|                                |     |      |   |
|--------------------------------|-----|------|---|
| Cash received for income taxes | (65 | ) (2 | ) |
|--------------------------------|-----|------|---|

Supplemental Schedule of Non-cash Investing and Financing Activities

|                                            |         |         |
|--------------------------------------------|---------|---------|
| Payables incurred for capital expenditures | \$6,452 | \$5,634 |
|--------------------------------------------|---------|---------|

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

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NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Boyd Gaming Corporation (and together with its subsidiaries, the "Company," "Boyd Gaming," "we" or "us") was incorporated in the state of Nevada in 1988 and has been operating since 1975. The Company's common stock is traded on the New York Stock Exchange under the symbol "BYD."

We are a geographically diversified operator of 24 wholly owned gaming entertainment properties. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the U.S. Securities and Exchange Commission ("SEC") on February 26, 2018. As discussed in Note 2, Summary of Significant Accounting Policies, we adopted the Revenue Standard effective January 1, 2018, by applying the full retrospective method, which has impacted previously reported results.

The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in future periods.

The accompanying condensed consolidated financial statements include the accounts of Boyd Gaming and its wholly owned subsidiaries. Investments in unconsolidated affiliates, which do not meet the consolidation criteria of the authoritative accounting guidance for voting interest, controlling interest or variable interest entities, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

On August 1, 2016, Boyd Gaming completed the sale of its 50% equity interest in Marina District Development Holding Company, LLC ("MDDHC"), the parent company of Borgata Hotel Casino & Spa ("Borgata"), pursuant to an Equity Purchase Agreement (the "Purchase Agreement") entered into on May 31, 2016, as amended on July 19, 2016 by and among the Company, Boyd Atlantic City, Inc., a wholly owned subsidiary of the Company, and MGM. (See Note 3, Acquisitions and Divestitures.) We accounted for our investment in Borgata by applying the equity method and reported its results as discontinued operations for all periods presented in these condensed consolidated financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments, which include cash on hand and in banks, interest-bearing deposits and money market funds with maturities of three months or less at their date of purchase. The instruments are not restricted as to withdrawal or use and are on deposit with high credit quality financial institutions.

Although these balances may at times exceed the federal insured deposit limit, we believe such risk is mitigated by the quality of the institution holding such deposit. The carrying values of these instruments approximate their fair values as such balances are generally available on demand.

The following table provides a reconciliation of cash, cash equivalents and restricted cash balances reported within the condensed consolidated balance sheets to the total balance shown in the condensed consolidated statements of cash flows.

|                                                  | March     | December  | March     | December  |
|--------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                  | 31,       | 31,       | 31,       | 31,       |
| (In thousands)                                   | 2018      | 2017      | 2017      | 2016      |
| Cash and cash equivalents                        | \$179,706 | \$203,104 | \$167,007 | \$193,862 |
| Restricted cash                                  | 25,794    | 24,175    | 22,047    | 16,488    |
| Total cash, cash equivalents and restricted cash | \$205,500 | \$227,279 | \$189,054 | \$210,350 |

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

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Revenue Recognition

The Company's revenue contracts with customers consist of gaming wagers, hotel room sales, food & beverage offerings and other amenity transactions. The transaction price for a gaming wagering contract is the difference between gaming wins and losses, not the total amount wagered. Cash discounts, commissions and other cash incentives to customers related to gaming play are recorded as a reduction of gross gaming revenues. The transaction price for hotel, food & beverage and other contracts is the net amount collected from the customer for such goods and services. Hotel, food & beverage and other services have been determined to be separate, stand-alone performance obligations and the transaction price for such contracts is recorded as revenue as the good or service is transferred to the customer over their stay at the hotel, when the delivery is made for the food & beverage or when the service is provided for other amenity transactions.

Gaming wager contracts involve two performance obligations for those customers earning points under the Company's player loyalty programs and a single performance obligation for customers who do not participate in the programs. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio to not differ materially from that which would result if applying the guidance to an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone selling price of the points earned, which is determined by the value of a point that can be redeemed for a hotel room stay, food & beverage or other amenities. Sales and usage-based taxes are excluded from revenues. An amount is allocated to the gaming wager performance obligation using the residual approach as the stand-alone price for wagers is highly variable and no set established price exists for such wagers. The allocated revenue for gaming wagers is recognized when the wagers occur as all such wagers settle immediately. The loyalty point contract liability amount is deferred and recognized as revenue when the customer redeems the points for a hotel room stay, food & beverage or other amenities and such goods or services are delivered to the customer. See Note 6, Accrued Liabilities, for the balance outstanding related to player loyalty programs.

The Company collects advanced deposits from hotel customers for future reservations representing obligations of the Company until the hotel room stay is provided to the customer. See Note 6, Accrued Liabilities, for the balance outstanding related to advance deposits.

The Company's outstanding chip liability represents the amounts owned in exchange for gaming chips held by a customer. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of being purchased. See Note 6, Accrued Liabilities, for the balance outstanding related to the chip liability.

The retail value of hotel accommodations, food & beverage, and other services furnished to guests without charge is recorded as departmental revenues. Gaming revenues are net of incentives earned in our slot bonus program such as cash and the estimated retail value of goods and services (such as complimentary rooms and food & beverages). We reward customers, through the use of bonus programs, with points based on amounts wagered that can be redeemed for a specified period of time for complimentary slot play, food & beverage, and to a lesser extent for other goods or services, depending upon the property.

The estimated retail value related to goods and services provided to guests without charge or upon redemption of points under our player loyalty programs, included in departmental revenues, and therefore reducing our gaming

revenues, are as follows:

|                   |                                    |          |
|-------------------|------------------------------------|----------|
|                   | Three Months<br>Ended<br>March 31, |          |
| (In thousands)    | 2018                               | 2017     |
| Food and beverage | \$42,638                           | \$42,814 |
| Rooms             | 19,000                             | 18,590   |
| Other             | 2,580                              | 2,528    |

#### Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are recorded as a gaming expense in the condensed consolidated statements of operations. These taxes totaled approximately \$78.1 million and \$83.2 million for the three months ended March 31, 2018 and 2017, respectively.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

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Income Taxes

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence, it is more likely than not that such assets will not be realized. Use of the term "more likely than not" indicates the likelihood of occurrence is greater than 50%. Accordingly, the need to establish valuation allowances for deferred tax assets is continually assessed based on a more-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of profitability, the duration of statutory carryforward periods, our experience with the utilization of operating loss and tax credit carryforwards before expiration and tax planning strategies. In making such judgments, significant weight is given to evidence that can be objectively verified.

Other Long-Term Tax Liabilities

The Company's income tax returns are subject to examination by the Internal Revenue Service ("IRS") and other tax authorities in the locations where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes, which prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Uncertain tax position accounting standards apply to all tax positions related to income taxes. These accounting standards utilize a two-step approach for evaluating tax positions. Recognition occurs when the Company concludes that a tax position, based on its technical merits, is more likely than not to be sustained upon examination. Measurement is only addressed if the position is deemed to be more likely than not to be sustained. The tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon settlement.

Tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period that they meet the "more likely than not" standard. If it is subsequently determined that a previously recognized tax position no longer meets the "more likely than not" standard, it is required that the tax position is derecognized. Accounting standards for uncertain tax positions specifically prohibit the use of a valuation allowance as a substitute for derecognition of tax positions. As applicable, the Company will recognize accrued penalties and interest related to unrecognized tax benefits in the provision for income taxes. Accrued interest and penalties are included in other long-term tax liabilities on the condensed consolidated balance sheets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements

Accounting Standards Update ("ASU") 2018-05, Income Taxes ("Update 2018-05")

In March 2018, the Financial Accounting Standards Board ("FASB") issued Update 2018-05, which amends the guidance to SEC Staff Accounting Bulletin No. 118 ("SAB 118") by adding income tax accounting implications of the Tax Cuts and Jobs Act (the "Tax Act"). The SEC staff issued SAB 118 to provide guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under Accounting Standards Codification 740, Income

Taxes ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act. We have recorded an adjustment as a result of the Tax Act as described above in fourth quarter 2017. We believe our analysis to be complete and do not anticipate any material future changes to financial statements as a result of the impact of the Tax Act. However, if any changes are determined, we will record those as part of the measurement period.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## ASU 2018-02, Income Statement - Reporting Comprehensive Income ("Update 2018-02")

In first quarter 2018, the Company adopted ASU 2018-02 which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. The effect of this change in accounting principle is to record an other comprehensive income tax effect as a reduction in retained earnings of \$0.3 million on the condensed consolidated statement of changes in stockholders' equity for the three months ended March 31, 2018.

## ASU 2016-18, Statement of Cash Flows ("Update 2016-18")

In November 2016, the FASB issued Update 2016-18, which amends Accounting Standards Codification ("ASC") 230 to add or clarify the guidance on the classification and presentation of restricted cash in the statement of cash flows. Update 2016-18 requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows. The Company adopted Update 2016-18 effective January 1, 2018 using the retrospective approach. We adjusted our condensed consolidated statement of cash flows from amounts previously reported due to the adoption of Update 2016-18. The effects of adopting Update 2016-18 on our condensed consolidated statement of cash flows for the three months ended March 31, 2017 were as follows:

| (In thousands)                                                        | Three Months Ended March 31, 2017 |                            |             |
|-----------------------------------------------------------------------|-----------------------------------|----------------------------|-------------|
|                                                                       | As Previously Reported            | Adoption of Update 2016-18 | As Adjusted |
| Net cash provided by operating activities                             | \$ 112,045                        | \$ 5,559                   | \$ 117,604  |
| Cash, cash equivalents and restricted cash, beginning of period       | \$ 193,862                        | \$ 16,488                  | \$ 210,350  |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (26,855 )                         | 5,559                      | (21,296 )   |
| Cash, cash equivalents and restricted cash, end of period             | \$ 167,007                        | \$ 22,047                  | \$ 189,054  |

## ASU 2016-15, Statement of Cash Flows ("Update 2016-15")

In August 2016, the FASB issued Update 2016-15, which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. Update 2016-15 is intended to reduce the lack of consistent principles on certain classifications such as debt prepayment, debt extinguishment costs, distributions, insurance claims and beneficial interest in securitization transactions. The Company adopted Update 2016-15 effective January 1, 2018. The Company determined that the impact of the new standard on its condensed consolidated financial statements is not material.

## ASU 2016-09, Compensation - Stock Compensation ("Update 2016-09")

In first quarter 2017, the Company adopted Update 2016-09, which simplified several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Update 2016-09 requires excess tax benefits and deficiencies to be recorded in income tax expense instead of equity. The cumulative effect of this change in accounting principle was to record the benefit of previously unrecognized excess tax deductions as an increase in retained earnings of \$15.8 million on the condensed consolidated statement of changes in stockholders' equity for the three months ended March 31, 2017.

ASU 2014-09, Revenue from Contracts with Customers ("Update 2014-09"); ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date ("Update 2015-14" ); ASU 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("Update 2016-08"); ASU 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing ("Update 2016-10"); ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815) - Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting ("Update 2016-11"); and ASU 2016-12, Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients ("Update 2016-12"); (collectively, the "Revenue Standard") The Revenue Standard prescribes a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The Company adopted the Revenue Standard by applying the full retrospective approach in first quarter 2018 and has adjusted the prior period presented.

The guidance changed the presentation of net revenues as the historical presentation reflected revenues gross for goods and services provided to our customers as an inducement to play with us, with an offsetting reduction for promotional allowances to derive net

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

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revenues. Under the new guidance, revenues are allocated among our departmental classifications based on the relative standalone selling prices of the goods and services provided to the customer. Our reporting of amounts paid to operators of wide area progressive games has changed as a result of the adoption of the Revenue Standard. We previously reported these payments as contra-revenues. Under the Revenue Standard, these payments are reported as an operating expense. The accounting for our frequent player programs was also impacted, with changes to the timing and/or classification of certain transactions between revenues and operating expenses.

The implementation of the Revenue Standard resulted in an increase to the player point liability due to the change in our accounting method for this liability from an estimated cost of redemption model to a deferred revenue model. As of the effective date of our adoption (January 1, 2015), the cumulative effect adjustment decreased beginning Retained earnings by \$3.8 million (after tax), resulted in a deferred tax asset reduction of \$2.4 million and increased Accrued liabilities by approximately \$6.2 million on the condensed consolidated balance sheet. The impact to the condensed consolidated statement of cash flows for the three months ended March 31, 2017 was not material. The impact of this change in accounting for these programs is not expected to be material to any annual accounting period.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

The effects of the adoption of the Revenue Standard on our results for the three months ended March 31, 2017 are as follows:

| (In thousands, except per share data)                   | Three Months Ended March 31, 2017 |                              |             |
|---------------------------------------------------------|-----------------------------------|------------------------------|-------------|
|                                                         | As Previously Reported            | Adoption of Revenue Standard | As Adjusted |
| Revenues                                                |                                   |                              |             |
| Gaming                                                  | \$499,999                         | \$(56,054)                   | \$443,945   |
| Food and beverage                                       | 87,443                            | (838)                        | 86,605      |
| Room                                                    | 47,326                            | (476)                        | 46,850      |
| Other                                                   | 34,038                            | (1,373)                      | 32,665      |
| Gross revenues                                          | 668,806                           | (58,741)                     | 610,065     |
| Less promotional allowances                             | 63,464                            | (63,464)                     | —           |
| Net revenues                                            | 605,342                           | 4,723                        | 610,065     |
| Operating costs and expenses                            |                                   |                              |             |
| Gaming                                                  | 231,631                           | (39,698)                     | 191,933     |
| Food and beverage                                       | 49,518                            | 34,830                       | 84,348      |
| Room                                                    | 13,114                            | 8,193                        | 21,307      |
| Other                                                   | 19,979                            | 1,436                        | 21,415      |
| Selling, general and administrative                     | 91,613                            | —                            | 91,613      |
| Maintenance and utilities                               | 26,399                            | —                            | 26,399      |
| Depreciation and amortization                           | 53,964                            | —                            | 53,964      |
| Corporate expense                                       | 20,798                            | —                            | 20,798      |
| Project development, preopening and writedowns          | 2,972                             | —                            | 2,972       |
| Other operating items, net                              | 486                               | —                            | 486         |
| Total operating costs and expenses                      | 510,474                           | 4,761                        | 515,235     |
| Operating income                                        | 94,868                            | (38)                         | 94,830      |
| Other expense (income)                                  |                                   |                              |             |
| Interest income                                         | (460)                             | —                            | (460)       |
| Interest expense, net of amounts capitalized            | 43,674                            | —                            | 43,674      |
| Loss on early extinguishments and modifications of debt | 156                               | —                            | 156         |
| Other, net                                              | 111                               | —                            | 111         |
| Total other expense, net                                | 43,481                            | —                            | 43,481      |
| Income from continuing operations before income taxes   | 51,387                            | (38)                         | 51,349      |
| Income tax provision                                    | (16,273)                          | —                            | (16,273)    |
| Income from continuing operations, net of tax           | 35,114                            | (38)                         | 35,076      |
| Income from discontinued operations, net of tax         | 375                               | —                            | 375         |
| Net income                                              | \$35,489                          | \$(38)                       | \$35,451    |
| Basic net income per common share                       |                                   |                              |             |
| Continuing operations                                   | \$0.31                            | \$—                          | \$0.31      |
| Discontinued operations                                 | —                                 | —                            | —           |
| Basic net income per common share                       | \$0.31                            | \$—                          | \$0.31      |
| Weighted average basic shares outstanding               | 115,269                           | —                            | 115,269     |

|                                             |         |     |         |
|---------------------------------------------|---------|-----|---------|
| Diluted net income per common share         |         |     |         |
| Continuing operations                       | \$0.31  | \$— | \$0.31  |
| Discontinued operations                     | —       | —   | —       |
| Diluted net income per common share         | \$0.31  | \$— | \$0.31  |
| Weighted average diluted shares outstanding | 115,902 | —   | 115,902 |

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

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Recently Issued Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently being studied by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our condensed consolidated financial statements.

NOTE 3. ACQUISITIONS AND DIVESTITURES

Pending Acquisitions

On May 2, 2018, we announced that we had entered into a definitive agreement to acquire Lattner Entertainment Group Illinois, LLC ("Lattner"), for total cash consideration of \$100.0 million, subject to adjustment based on cash, indebtedness and current liabilities of Lattner at closing and transaction expenses of Lattner. Lattner currently operates nearly 1,000 gaming units in 220 locations across the state of Illinois. The transaction is expected to close by the end of the second quarter of 2018, subject to the satisfaction of customary closing conditions and the receipt of all required regulatory approvals. We intend to finance the transaction through cash flow from operations and availability under our existing bank credit facility.

On December 18, 2017, we announced that we had entered into a definitive agreement with Penn National Gaming, Inc. (the "Penn National Purchase Agreement"), to acquire the operations of four properties, which include Ameristar St. Charles and Ameristar Kansas City, both in Missouri, along with Belterra Casino Resort in Florence, Indiana, and Belterra Park in Cincinnati, Ohio, for total net cash consideration of \$575.0 million, subject to adjustments based on (a) the adjusted 2017 EBITDA of each property (as determined per the agreement), and (b) working capital, cash and indebtedness of the combined properties at closing and transaction expenses (the "Penn National Purchase").

On December 20, 2017, we announced that we had entered into a definitive agreement with Valley Forge Convention Center Partners, L.P. (the "Valley Forge Merger Agreement"), to acquire Valley Forge Casino Resort ("Valley Forge") in King of Prussia, Pennsylvania, for total cash consideration of \$280.5 million, subject to adjustment based on working capital, cash and indebtedness of Valley Forge at closing and transaction expenses (the "Valley Forge Merger").

The completion of the Penn National Purchase and the Valley Forge Merger are each subject to customary conditions and the receipt of all required regulatory approvals, including, among others, approval by the required state gaming commissions and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. In addition, the Penn National Purchase is also contingent upon the successful completion of Penn National's proposed acquisition of Pinnacle Entertainment, Inc. Subject to the satisfaction or waiver of the respective conditions in each of the Penn National Purchase Agreement and the Valley Forge Merger Agreement, we currently expect each of the transactions to close during the second half of 2018.

Investment in and Divestiture of Borgata

On August 1, 2016, Boyd Gaming completed the sale of its 50% equity interest in MDDHC, the parent company of Borgata in Atlantic City, New Jersey, to MGM pursuant to the Purchase Agreement entered into on May 31, 2016, as amended on July 19, 2016, by and among the Company, Boyd Atlantic City, Inc., a wholly owned subsidiary of the Company, and MGM (the "Transaction").

Prior to the sale of our equity interest, the Company and MGM each held a 50% interest in MDDHC, which owned all the equity interests in Borgata. Until the closing of the sale, we were the managing member of MDDHC, and we were responsible for the day-to-day operations of Borgata. Following the Transaction, MDDHC became a wholly owned

subsidiary of MGM.

In consideration for the Transaction, MGM paid Boyd Gaming \$900 million. The initial net cash proceeds were approximately \$589 million, net of certain expenses and adjustments on the closing date, including outstanding indebtedness, cash and working capital. These initial proceeds did not include our 50% share of any future property tax settlement benefits related to the time period during which we held a 50% ownership in MDDHC to which Boyd Gaming retained the right to receive upon payment. During first quarter 2017, we recognized \$0.6 million in income for the cash we received for our share of property tax benefits realized by Borgata during that period. This payment is included in discontinued operations in the condensed consolidated financial statements. On February 15, 2017, Borgata entered into a settlement agreement with Atlantic City, the terms of which provided for \$72 million to be paid to Borgata to resolve the remaining property tax issues. These payments were received in full during second quarter 2017.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

|                               | March 31,   | December 31, |
|-------------------------------|-------------|--------------|
| (In thousands)                | 2018        | 2017         |
| Land                          | \$294,533   | \$294,533    |
| Buildings and improvements    | 2,946,722   | 2,935,539    |
| Furniture and equipment       | 1,349,496   | 1,311,704    |
| Riverboats and barges         | 239,240     | 238,926      |
| Construction in progress      | 33,292      | 59,538       |
| Total property and equipment  | 4,863,283   | 4,840,240    |
| Less accumulated depreciation | 2,350,570   | 2,300,454    |
| Property and equipment, net   | \$2,512,713 | \$2,539,786  |

Depreciation expense is as follows:

|                      | Three Months Ended March 31, |          |
|----------------------|------------------------------|----------|
| (In thousands)       | 2018                         | 2017     |
| Depreciation expense | \$50,146                     | \$49,394 |

## NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

|                                    | March 31, 2018        |                      |                         |                              |                        |
|------------------------------------|-----------------------|----------------------|-------------------------|------------------------------|------------------------|
|                                    | Weighted Average Life | Gross Carrying Value | Cumulative Amortization | Cumulative Impairment Losses | Intangible Assets, Net |
| (In thousands)                     | Remaining             |                      |                         |                              |                        |
| Amortizing intangibles             |                       |                      |                         |                              |                        |
| Customer relationships             | 5.0 years             | \$9,400              | \$ (4,042 )             | \$ —                         | \$ 5,358               |
| Favorable lease rates              | 37.8 years            | 11,730               | (3,132 )                | —                            | 8,598                  |
| Development agreement              | —                     | 21,373               | —                       | —                            | 21,373                 |
|                                    |                       | 42,503               | (7,174 )                | —                            | 35,329                 |
| Indefinite lived intangible assets |                       |                      |                         |                              |                        |
| Trademarks                         | Indefinite            | 151,887              | —                       | (4,300 )                     | 147,587                |
| Gaming license rights              | Indefinite            | 873,335              | (33,960 )               | (179,974 )                   | 659,401                |
|                                    |                       | 1,025,222            | (33,960 )               | (184,274 )                   | 806,988                |
| Balance, March 31, 2018            |                       | \$1,067,725          | \$ (41,134 )            | \$ (184,274 )                | \$ 842,317             |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

| (In thousands)                     | December 31, 2017                     |                            | Cumulative<br>Amortization | Cumulative<br>Impairment<br>Losses | Intangible<br>Assets,<br>Net |
|------------------------------------|---------------------------------------|----------------------------|----------------------------|------------------------------------|------------------------------|
|                                    | Weighted<br>Average Life<br>Remaining | Gross<br>Carrying<br>Value |                            |                                    |                              |
| Amortizing intangibles             |                                       |                            |                            |                                    |                              |
| Customer relationships             | 5.2 years                             | \$9,400                    | \$ (3,470 )                | \$—                                | \$ 5,930                     |
| Favorable lease rates              | 38.0 years                            | 11,730                     | (3,075 )                   | —                                  | 8,655                        |
| Development agreement              | —                                     | 21,373                     | —                          | —                                  | 21,373                       |
|                                    |                                       | 42,503                     | (6,545 )                   | —                                  | 35,958                       |
| Indefinite lived intangible assets |                                       |                            |                            |                                    |                              |
| Trademarks                         | Indefinite                            | 151,887                    | —                          | (4,300 )                           | 147,587                      |
| Gaming license rights              | Indefinite                            | 873,335                    | (33,960 )                  | (179,974 )                         | 659,401                      |
|                                    |                                       | 1,025,222                  | (33,960 )                  | (184,274 )                         | 806,988                      |
| Balance, December 31, 2017         |                                       | \$1,067,725                | \$ (40,505 )               | \$ (184,274 )                      | \$ 842,946                   |

## NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

| (In thousands)                     | March<br>31,<br>2018 | December<br>31,<br>2017 |
|------------------------------------|----------------------|-------------------------|
|                                    |                      |                         |
| Payroll and related expenses       | \$59,885             | \$70,724                |
| Interest                           | 45,034               | 19,858                  |
| Gaming liabilities                 | 53,138               | 55,961                  |
| Player loyalty program liabilities | 24,100               | 24,489                  |
| Advance deposits                   | 22,240               | 18,922                  |
| Outstanding chip liability         | 4,570                | 4,928                   |
| Dividend payable                   | 5,635                | 5,632                   |
| Other accrued liabilities          | 65,474               | 54,632                  |
| Total accrued liabilities          | \$280,076            | \$255,146               |

## NOTE 7. LONG-TERM DEBT

Long-term debt, net of current maturities and debt issuance costs, consists of the following:

| (In thousands)               | March 31, 2018                              |                          | Unamortized<br>Discount | Unamortized<br>Fees and<br>Costs | Long-Term<br>Debt, Net |
|------------------------------|---------------------------------------------|--------------------------|-------------------------|----------------------------------|------------------------|
|                              | Interest<br>Rates at<br>Mar.<br>31,<br>2018 | Outstanding<br>Principal |                         |                                  |                        |
| Bank credit facility         | 4.162 %                                     | \$1,536,251              | \$ (1,502 )             | \$ (22,440 )                     | \$1,512,309            |
| 6.875% senior notes due 2023 | 6.875 %                                     | 750,000                  | —                       | (9,017 )                         | 740,983                |
| 6.375% senior notes due 2026 | 6.375 %                                     | 750,000                  | —                       | (10,542 )                        | 739,458                |
| Other                        | 5.800 %                                     | 454                      | —                       | —                                | 454                    |

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|                         |             |           |   |            |   |             |
|-------------------------|-------------|-----------|---|------------|---|-------------|
| Total long-term debt    | 3,036,705   | (1,502    | ) | (41,999    | ) | 2,993,204   |
| Less current maturities | 23,981      | —         |   | —          |   | 23,981      |
| Long-term debt, net     | \$3,012,724 | \$ (1,502 | ) | \$ (41,999 | ) | \$2,969,223 |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

| (In thousands)               | December 31, 2017               |                       |                      | Unamortized    |                     |
|------------------------------|---------------------------------|-----------------------|----------------------|----------------|---------------------|
|                              | Interest Rates at Dec. 31, 2017 | Outstanding Principal | Unamortized Discount | Fees and Costs | Long-Term Debt, Net |
| Bank credit facility         | 3.882%                          | \$1,621,054           | \$ (1,556)           | ) \$ (23,795)  | ) \$1,595,703       |
| 6.875% senior notes due 2023 | 6.875%                          | 750,000               | —                    | (9,455)        | ) 740,545           |
| 6.375% senior notes due 2026 | 6.375%                          | 750,000               | —                    | (10,872)       | ) 739,128           |
| Other                        | 5.800%                          | 504                   | —                    | —              | 504                 |
| Total long-term debt         |                                 | 3,121,558             | (1,556)              | ) (44,122)     | ) 3,075,880         |
| Less current maturities      |                                 | 23,981                | —                    | —              | 23,981              |
| Long-term debt, net          |                                 | \$3,097,577           | \$ (1,556)           | ) \$ (44,122)  | ) \$3,051,899       |

The outstanding principal amounts under our existing bank credit facility are comprised of the following:

| (In thousands)                                                     | March 31, 2018 | December 31, 2017 |
|--------------------------------------------------------------------|----------------|-------------------|
| Revolving Credit Facility                                          | \$130,000      | \$170,000         |
| Term A Loan                                                        | 207,288        | 210,938           |
| Refinancing Term B Loans                                           | 1,162,163      | 1,170,016         |
| Swing Loan                                                         | 36,800         | 70,100            |
| Total outstanding principal amounts under the bank credit facility | \$1,536,251    | \$1,621,054       |

At March 31, 2018, approximately \$1.5 billion was outstanding under the bank credit facility. As such, with a total revolving credit commitment of \$775.0 million available under the bank credit facility, \$12.8 million was allocated to support various letters of credit, \$130.0 million was borrowed on the Revolving Credit Facility and \$36.8 million was borrowed on the Swing Loan, leaving remaining contractual availability of \$595.4 million.

## Covenant Compliance

As of March 31, 2018, we believe that we were in compliance with the financial and other covenants of our debt instruments.

## NOTE 8. COMMITMENTS AND CONTINGENCIES

## Commitments

Other than the additional commitment discussed in Note 3, Acquisitions and Divestitures, there have been no material changes to our commitments described under Note 9, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 26, 2018.

## Contingencies

## Legal Matters

We are parties to various legal proceedings arising in the ordinary course of business. We believe that all pending claims, if adversely decided, would not have a material adverse effect on our business, financial position or results of operations.

NOTE 9. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share Repurchase Program

On May 2, 2017, the Company announced that its Board of Directors had reaffirmed the Company's existing share repurchase program, which as of March 31, 2018, had \$40.3 million remaining. The Company intends to make purchases of its common stock from time to time under this program through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

The following table provides information regarding share repurchases during the referenced periods.<sup>(1)</sup>

|                                                   | For the<br>Three<br>Months<br>Ended<br>March<br>31,<br>2018 |
|---------------------------------------------------|-------------------------------------------------------------|
| (In thousands, except per share data)             |                                                             |
| Shares repurchased <sup>(2)</sup>                 | 559                                                         |
| Total cost, including brokerage fees              | \$19,803                                                    |
| Average repurchase price per share <sup>(3)</sup> | \$35.42                                                     |

<sup>(1)</sup> Shares repurchased reflect repurchases settled during the three months ended March 31, 2018. These amounts exclude repurchases traded but not yet settled on or before March 31, 2018.

<sup>(2)</sup> All shares repurchased have been retired and constitute authorized but unissued shares.

<sup>(3)</sup> Amounts in the table may not recalculate exactly due to rounding. Average repurchase price per share is calculated based on unrounded numbers.

## Dividends

On May 2, 2017, the Company announced that its Board of Directors had authorized the reinstatement of the Company's cash dividend program.

The dividends declared by the Board under this program and reflected in the periods presented are:

| Declaration date | Record date       | Payment date     | Amount per share |
|------------------|-------------------|------------------|------------------|
| December 7, 2017 | December 28, 2017 | January 15, 2018 | \$0.05           |
| March 2, 2018    | March 16, 2018    | April 15, 2018   | 0.05             |

## Share-Based Compensation

We account for share-based awards exchanged for employee services in accordance with the authoritative accounting guidance for share-based payments. Under the guidance, share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee's requisite service period.

The following table provides classification detail of the total costs related to our share-based employee compensation plans reported in our condensed consolidated statements of operations.

|                                        | Three Months<br>Ended<br>March 31, |         |
|----------------------------------------|------------------------------------|---------|
| (In thousands)                         | 2018                               | 2017    |
| Gaming                                 | \$172                              | \$70    |
| Food and beverage                      | 33                                 | 13      |
| Room                                   | 15                                 | 6       |
| Selling, general and administrative    | 872                                | 358     |
| Corporate expense                      | 7,835                              | 2,636   |
| Total share-based compensation expense | \$8,927                            | \$3,083 |

## Performance Shares

Our stock incentive plan provides for the issuance of Performance Share Unit ("PSU") grants which may be earned, in whole or in part, upon passage of time and the attainment of performance criteria. We periodically review our estimates of performance against the defined criteria to assess the expected payout of each outstanding PSU grant and adjust our stock compensation expense accordingly.

The PSU grants awarded in fourth quarter 2014 and 2013 vested during first quarter 2018 and 2017, respectively.

Common shares were issued based on the determination by the Compensation Committee of the Board of Directors of our actual achievement of net revenue growth, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") growth and customer service scores for the three-year performance period of each grant. As provided under the provisions of our stock incentive plan, certain

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

of the participants elected to surrender a portion of the shares to be received to pay the withholding and other payroll taxes payable on the compensation resulting from the vesting of the PSUs.

The PSU grant awarded in December 2014 resulted in a total of 486,805 shares being issued during first quarter 2018, representing approximately 1.57 shares per PSU. Of the 486,805 shares issued, a total of 149,268 were surrendered by the participants for payroll taxes, resulting in a net issuance of 337,537 shares due to the vesting of the 2014 grant. The actual achievement level under the award metrics equaled the estimated performance as of year-end 2017; therefore, the vesting of the PSUs did not impact compensation costs in our 2018 condensed consolidated statement of operations.

The PSU grant awarded in November 2013 resulted in a total of 268,429 shares being issued during first quarter 2017, representing approximately 0.80 shares per PSU. Of the 268,429 shares issued, a total of 94,776 were surrendered by the participants for payroll taxes, resulting in a net issuance of 173,653 shares due to the vesting of the 2013 grant. The actual achievement level under the award metrics equaled the estimated performance as of year-end 2016; therefore, the vesting of the PSUs did not impact compensation costs in our 2017 condensed consolidated statement of operations.

## NOTE 10. FAIR VALUE MEASUREMENTS

The authoritative accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

## Balances Measured at Fair Value

The following tables show the fair values of certain of our financial instruments:

| (In thousands)            | March 31, 2018 |            |         |         |
|---------------------------|----------------|------------|---------|---------|
|                           | Balance        | Level 1    | Level 2 | Level 3 |
| Assets                    |                |            |         |         |
| Cash and cash equivalents | \$ 179,706     | \$ 179,706 | \$ —    | \$ —    |
| Restricted cash           | 25,794         | 25,794     | —       | —       |

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|                               |        |   |   |        |
|-------------------------------|--------|---|---|--------|
| Investment available for sale | 16,454 | — | — | 16,454 |
|-------------------------------|--------|---|---|--------|

Liabilities

|                     |         |     |    |          |
|---------------------|---------|-----|----|----------|
| Contingent payments | \$2,813 | \$— | \$ | —\$2,813 |
|---------------------|---------|-----|----|----------|

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

| (In thousands)                | December 31, 2017 |           |         |          |
|-------------------------------|-------------------|-----------|---------|----------|
|                               | Balance           | Level 1   | Level 2 | Level 3  |
| <b>Assets</b>                 |                   |           |         |          |
| Cash and cash equivalents     | \$203,104         | \$203,104 | \$ —    | \$ —     |
| Restricted cash               | 24,175            | 24,175    | —       | —        |
| Investment available for sale | 17,752            | —         | —       | 17,752   |
| <b>Liabilities</b>            |                   |           |         |          |
| Contingent payments           | \$2,887           | \$ —      | \$ —    | -\$2,887 |

**Cash and Cash Equivalents and Restricted Cash**

The fair values of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, are based on statements received from our banks at March 31, 2018 and December 31, 2017.

**Investment Available for Sale**

We have an investment in a single municipal bond issuance of \$20.5 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 with a maturity date of June 1, 2037 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The fair value of the instrument is estimated using a discounted cash flows approach and the significant unobservable input used in the valuation at March 31, 2018 and December 31, 2017 is a discount rate of 11.2% and 9.6%, respectively. Unrealized gains and losses on this instrument resulting from changes in the fair value of the instrument are not charged to earnings, but rather are recorded as other comprehensive income (loss) in the stockholders' equity section of the condensed consolidated balance sheets. At both March 31, 2018 and December 31, 2017, \$0.5 million of the carrying value of the investment available for sale is included as a current asset in prepaid expenses and other current assets, and at March 31, 2018 and December 31, 2017, \$16.0 million and \$17.3 million, respectively, is included in other assets on the condensed consolidated balance sheets. The discount associated with this investment of \$2.9 million, at both March 31, 2018 and December 31, 2017, is netted with the investment balance and is being accreted over the life of the investment using the effective interest method. The accretion of such discount is included in interest income on the condensed consolidated statements of operations.

**Contingent Payments**

In connection with the development of the Kansas Star Casino ("Kansas Star"), Kansas Star agreed to pay a former casino project promoter 1% of Kansas Star's EBITDA each month for a period of ten years commencing on December 20, 2011. The liability is recorded at the estimated fair value of the contingent payments using a discounted cash flows approach and the significant unobservable input used in the valuation at March 31, 2018 and December 31, 2017, is a discount rate of 10.8% and 9.2%, respectively. At March 31, 2018 and December 31, 2017, there was a current liability of \$0.9 million and \$0.8 million, respectively, related to this agreement, which is recorded in accrued liabilities on the respective condensed consolidated balance sheets, and long-term obligation at March 31, 2018 and December 31, 2017, of \$1.9 million and \$2.1 million, respectively, which is included in other liabilities on the respective condensed consolidated balance sheets.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

The following tables summarize the changes in fair value of the Company's Level 3 assets and liabilities:

| (In thousands)                                 | Three Months Ended |                     |                    |                     |
|------------------------------------------------|--------------------|---------------------|--------------------|---------------------|
|                                                | March 31, 2018     |                     | March 31, 2017     |                     |
|                                                | Assets             | Liability           | Assets             | Liability           |
|                                                | Investment         |                     | Investment         |                     |
|                                                | Available for Sale | Contingent Payments | Available for Sale | Contingent Payments |
| Balance at beginning of reporting period       | \$17,752           | \$ (2,887 )         | \$17,259           | \$ (3,038 )         |
| Total gains (losses) (realized or unrealized): |                    |                     |                    |                     |
| Included in interest income (expense)          | 36                 | (62 )               | 35                 | (129 )              |
| Included in other comprehensive income (loss)  | (1,334 )           | —                   | 571                | —                   |
| Included in other items, net                   | —                  | (82 )               | —                  | (391 )              |
| Purchases, sales, issuances and settlements:   |                    |                     |                    |                     |
| Settlements                                    | —                  | 218                 | —                  | 210                 |
| Balance at end of reporting period             | \$16,454           | \$ (2,813 )         | \$17,865           | \$ (3,348 )         |

We are exposed to valuation risk on our Level 3 financial instruments. We estimate our risk exposure using a sensitivity analysis of potential changes in the significant unobservable inputs of our fair value measurements. Our Level 3 financial instruments are most susceptible to valuation risk caused by changes in the discount rate. If the discount in our fair value measurements increased or decreased by 100 basis points, the change would not cause the value of our fair value measurements to change significantly.

## Balances Disclosed at Fair Value

The following tables provide the fair value measurement information about our obligation under minimum assessment agreements and other financial instruments:

| (In thousands)                           | March 31, 2018          |                |                      |
|------------------------------------------|-------------------------|----------------|----------------------|
|                                          | Outstanding Face Amount | Carrying Value | Estimated Fair Value |
|                                          |                         |                | Fair Value Hierarchy |
| Liabilities                              |                         |                |                      |
| Obligation under assessment arrangements | \$31,232                | \$25,271       | \$30,729 Level 3     |

| (In thousands)                           | December 31, 2017       |                |                      |
|------------------------------------------|-------------------------|----------------|----------------------|
|                                          | Outstanding Face Amount | Carrying Value | Estimated Fair Value |
|                                          |                         |                | Fair Value Hierarchy |
| Liabilities                              |                         |                |                      |
| Obligation under assessment arrangements | \$31,729                | \$25,602       | \$26,999 Level 3     |

The following tables provide the fair value measurement information about our long-term debt:

| (In thousands)       | March 31, 2018          |                |                      |
|----------------------|-------------------------|----------------|----------------------|
|                      | Outstanding Face Amount | Carrying Value | Estimated Fair Value |
|                      |                         |                | Fair Value Hierarchy |
| Bank credit facility | \$1,536,251             | \$1,512,309    | \$1,543,774 Level 2  |

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|                              |             |             |             |         |
|------------------------------|-------------|-------------|-------------|---------|
| 6.875% senior notes due 2023 | 750,000     | 740,983     | 791,250     | Level 1 |
| 6.375% senior notes due 2026 | 750,000     | 739,458     | 780,000     | Level 1 |
| Other                        | 454         | 454         | 454         | Level 3 |
| Total debt                   | \$3,036,705 | \$2,993,204 | \$3,115,478 |         |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

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| (In thousands)               | December 31, 2017             |                   |                         | Fair Value Hierarchy |
|------------------------------|-------------------------------|-------------------|-------------------------|----------------------|
|                              | Outstanding<br>Face<br>Amount | Carrying<br>Value | Estimated<br>Fair Value |                      |
| Bank credit facility         | \$1,621,054                   | \$1,595,703       | \$1,625,178             | Level 2              |
| 6.875% senior notes due 2023 | 750,000                       | 740,545           | 798,750                 | Level 1              |
| 6.375% senior notes due 2026 | 750,000                       | 739,128           | 810,000                 | Level 1              |
| Other                        | 504                           | 504               | 504                     | Level 3              |
| Total debt                   | \$3,121,558                   | \$3,075,880       | \$3,234,432             |                      |

The estimated fair value of our bank credit facility is based on a relative value analysis performed on or about March 31, 2018 and December 31, 2017. The estimated fair values of our Senior Notes are based on quoted market prices as of March 31, 2018 and December 31, 2017. The other debt is a fixed-rate debt that is payable in 32 semi-annual installments, beginning in 2008. It is not traded and does not have an observable market input; therefore, we have estimated its fair value to be equal to the carrying value.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the three months ended March 31, 2018 or 2017.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## NOTE 11. SEGMENT INFORMATION

We aggregate certain of our properties in order to present three Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; and (iii) Midwest and South. The table below lists the classification of each of our properties.

## Las Vegas Locals

|                                               |                         |
|-----------------------------------------------|-------------------------|
| Gold Coast Hotel and Casino                   | Las Vegas, Nevada       |
| The Orleans Hotel and Casino                  | Las Vegas, Nevada       |
| Sam's Town Hotel and Gambling Hall            | Las Vegas, Nevada       |
| Suncoast Hotel and Casino                     | Las Vegas, Nevada       |
| Eastside Cannery Casino and Hotel             | Las Vegas, Nevada       |
| Aliante Casino + Hotel + Spa                  | North Las Vegas, Nevada |
| Cannery Casino Hotel                          | North Las Vegas, Nevada |
| Eldorado Casino                               | Henderson, Nevada       |
| Jokers Wild Casino                            | Henderson, Nevada       |
| Downtown Las Vegas                            |                         |
| California Hotel and Casino                   | Las Vegas, Nevada       |
| Fremont Hotel and Casino                      | Las Vegas, Nevada       |
| Main Street Station Casino, Brewery and Hotel | Las Vegas, Nevada       |

## Midwest and South

|                                       |                        |
|---------------------------------------|------------------------|
| Par-A-Dice Hotel Casino               | East Peoria, Illinois  |
| Blue Chip Casino, Hotel & Spa         | Michigan City, Indiana |
| Diamond Jo Dubuque                    | Dubuque, Iowa          |
| Diamond Jo Worth                      | Northwood, Iowa        |
| Kansas Star Casino                    | Mulvane, Kansas        |
| Amelia Belle Casino                   | Amelia, Louisiana      |
| Delta Downs Racetrack Casino & Hotel  | Vinton, Louisiana      |
| Evangeline Downs Racetrack and Casino | Opelousas, Louisiana   |
| Sam's Town Hotel and Casino           | Shreveport, Louisiana  |
| Treasure Chest Casino                 | Kenner, Louisiana      |
| IP Casino Resort Spa                  | Biloxi, Mississippi    |
| Sam's Town Hotel and Gambling Hall    | Tunica, Mississippi    |

## Results of Operations - Total Reportable Segment Departmental Revenues and Adjusted EBITDA

We evaluate each of our property's profitability based upon Property Adjusted EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, deferred rent, share-based compensation expense, project development, preopening and writedowns expenses, impairments of assets, other operating items, net, and gain or loss on early retirements of debt, as applicable. Total Reportable Segment Adjusted EBITDA is the aggregate sum of the Property Adjusted EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, and Midwest and South segments. Results for Downtown Las Vegas include the results of our Hawaii-based travel agency and captive insurance company.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

The following tables set forth, for the periods indicated, departmental revenues for our Reportable Segments:

| Three Months Ended March 31, 2018 |                |                         |              |               |               |
|-----------------------------------|----------------|-------------------------|--------------|---------------|---------------|
| (In thousands)                    | Gaming Revenue | Food & Beverage Revenue | Room Revenue | Other Revenue | Total Revenue |
| Revenues                          |                |                         |              |               |               |
| Las Vegas Locals                  | \$ 143,148     | \$ 38,870               | \$ 26,156    | \$ 14,001     | \$ 222,175    |
| Downtown Las Vegas                | 32,439         | 13,587                  | 6,811        | 7,631         | 60,468        |
| Midwest and South                 | 264,876        | 32,942                  | 14,945       | 10,712        | 323,475       |
| Total Revenues                    | \$ 440,463     | \$ 85,399               | \$ 47,912    | \$ 32,344     | \$ 606,118    |

| Three Months Ended March 31, 2017 |                |                         |              |               |               |
|-----------------------------------|----------------|-------------------------|--------------|---------------|---------------|
| (In thousands)                    | Gaming Revenue | Food & Beverage Revenue | Room Revenue | Other Revenue | Total Revenue |
| Revenues                          |                |                         |              |               |               |
| Las Vegas Locals                  | \$ 143,946     | \$ 38,452               | \$ 26,207    | \$ 13,636     | \$ 222,241    |
| Downtown Las Vegas                | 33,892         | 13,457                  | 5,774        | 7,824         | 60,947        |
| Midwest and South                 | 266,107        | 34,696                  | 14,869       | 11,205        | 326,877       |
| Total Revenues                    | \$ 443,945     | \$ 86,605               | \$ 46,850    | \$ 32,665     | \$ 610,065    |

The following table reconciles, for the periods indicated, Total Reportable Segment Adjusted EBITDA to operating income, as reported in our accompanying condensed consolidated statements of operations:

| (In thousands)                                 | Three Months Ended March 31, |           |
|------------------------------------------------|------------------------------|-----------|
|                                                | 2018                         | 2017      |
| Adjusted EBITDA                                |                              |           |
| Las Vegas Locals                               | \$ 71,030                    | \$ 65,914 |
| Downtown Las Vegas                             | 13,218                       | 13,701    |
| Midwest and South                              | 94,246                       | 94,313    |
| Total Reportable Segment Adjusted EBITDA       | 178,494                      | 173,928   |
| Corporate expense                              | (18,022 )                    | (18,163 ) |
| Adjusted EBITDA                                | 160,472                      | 155,765   |
| Other operating costs and expenses             |                              |           |
| Deferred rent                                  | 256                          | 430       |
| Depreciation and amortization                  | 51,276                       | 53,964    |
| Share-based compensation expense               | 8,927                        | 3,083     |
| Project development, preopening and writedowns | 3,440                        | 2,972     |
| Other operating items, net                     | 1,799                        | 486       |
| Total other operating costs and expenses       | 65,698                       | 60,935    |
| Operating income                               | \$ 94,774                    | \$ 94,830 |

For purposes of this presentation, corporate expense excludes its portion of share-based compensation expense. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Total Reportable Segment Assets

The Company's assets by Reportable Segment consisted of the following amounts:

|                                 | March 31,   | December 31, |
|---------------------------------|-------------|--------------|
| (In thousands)                  | 2018        | 2017         |
| Assets                          |             |              |
| Las Vegas Locals                | \$1,770,803 | \$1,792,119  |
| Downtown Las Vegas              | 171,378     | 170,574      |
| Midwest and South               | 2,467,103   | 2,496,957    |
| Total Reportable Segment Assets | 4,409,284   | 4,459,650    |
| Corporate                       | 220,347     | 226,280      |
| Total Assets                    | \$4,629,631 | \$4,685,930  |

## NOTE 12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 6.875% Notes and our 6.375% Notes is presented below. Each of these notes is fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The non-guarantors primarily represent special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.

The tables below present the condensed consolidating balance sheets as of March 31, 2018 and December 31, 2017, the condensed consolidating statements of operations for the three months ended March 31, 2018 and 2017, and the condensed consolidating statements of cash flows for the three months ended March 31, 2018 and 2017. These tables reflect the impact of the adoption of the Revenue Standard and Update 2016-18 (see Note 2, Summary of Significant Accounting Policies).

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Condensed Consolidating Balance Sheets

March 31, 2018

|                                                                   |             |              | Non-<br>Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries |                |              |
|-------------------------------------------------------------------|-------------|--------------|-----------------------------------|-----------------------------------|----------------|--------------|
|                                                                   |             | Guarantor    | (100%                             | (Not<br>100%                      |                |              |
| (In thousands)                                                    | Parent      | Subsidiaries | Owne d)                           | Owne d)                           | Eliminations   | Consolidated |
| Assets                                                            |             |              |                                   |                                   |                |              |
| Cash and cash equivalents                                         | \$(2 )      | \$ 176,844   | \$ 2,864                          | \$ —                              | —              | \$ 179,706   |
| Restricted cash                                                   | —           | 14,201       | 11,593                            | —                                 | —              | 25,794       |
| Other current assets                                              | 75,855      | 16,380       | 2,835                             | —                                 | 1,057          | 96,127       |
| Property and equipment, net                                       | 84,327      | 2,401,519    | 26,867                            | —                                 | —              | 2,512,713    |
| Investments in subsidiaries                                       | 5,007,912   | 5,996        | 1,106                             | —                                 | (5,015,014 )   | —            |
| Intercompany receivable                                           | —           | 2,088,903    | —                                 | —                                 | (2,088,903 )   | —            |
| Other assets, net                                                 | 15,092      | 31,465       | 38,193                            | —                                 | —              | 84,750       |
| Intangible assets, net                                            | —           | 818,258      | 24,059                            | —                                 | —              | 842,317      |
| Goodwill, net                                                     | —           | 887,442      | 782                               | —                                 | —              | 888,224      |
| Total assets                                                      | \$5,183,184 | \$ 6,441,008 | \$ 108,299                        | \$ —                              | —\$(7,102,860) | \$ 4,629,631 |
| Liabilities and Stockholders' Equity                              |             |              |                                   |                                   |                |              |
| Current maturities of long-term debt                              | \$23,895    | \$86         | \$ —                              | \$ —                              | —              | \$ 23,981    |
| Other current liabilities                                         | 131,270     | 206,411      | 19,348                            | —                                 | 705            | 357,734      |
| Intercompany payable                                              | 1,035,428   | —            | 1,052,846                         | —                                 | (2,088,274 )   | —            |
| Long-term debt, net of current maturities and debt issuance costs | 2,968,854   | 369          | —                                 | —                                 | —              | 2,969,223    |
| Other long-term liabilities                                       | (93,825 )   | 265,385      | (10,429 )                         | —                                 | —              | 161,131      |
| Total stockholders' equity (deficit)                              | 1,117,562   | 5,968,757    | (953,466 )                        | —                                 | (5,015,291 )   | 1,117,562    |
| Total liabilities and stockholders' equity                        | \$5,183,184 | \$ 6,441,008 | \$ 108,299                        | \$ —                              | —\$(7,102,860) | \$ 4,629,631 |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Condensed Consolidating Balance Sheets - continued

December 31, 2017

|                                                                   |                    | Guarantor          | Non-Guarantor<br>Subsidiaries<br>(100%<br>Owned) | Non-Guarantor<br>Subsidiaries<br>(Not<br>100%<br>Owned) | Eliminations          | Consolidated       |
|-------------------------------------------------------------------|--------------------|--------------------|--------------------------------------------------|---------------------------------------------------------|-----------------------|--------------------|
| (In thousands)                                                    | Parent             | Subsidiaries       |                                                  |                                                         |                       |                    |
| <b>Assets</b>                                                     |                    |                    |                                                  |                                                         |                       |                    |
| Cash and cash equivalents                                         | \$347              | \$199,574          | \$3,183                                          | \$                                                      | —\$—                  | \$203,104          |
| Restricted cash                                                   | —                  | 14,389             | 9,786                                            | —                                                       | —                     | 24,175             |
| Other current assets                                              | 78,226             | 20,921             | 2,782                                            | —                                                       | (545 )                | 101,384            |
| Property and equipment, net                                       | 88,464             | 2,424,361          | 26,961                                           | —                                                       | —                     | 2,539,786          |
| Investments in subsidiaries                                       | 4,913,592          | —                  | 18,097                                           | —                                                       | (4,931,689 )          | —                  |
| Intercompany receivable                                           | —                  | 1,934,559          | —                                                | —                                                       | (1,934,559 )          | —                  |
| Other assets, net                                                 | 14,725             | 33,369             | 38,217                                           | —                                                       | —                     | 86,311             |
| Intangible assets, net                                            | —                  | 818,887            | 24,059                                           | —                                                       | —                     | 842,946            |
| Goodwill, net                                                     | —                  | 887,442            | 782                                              | —                                                       | —                     | 888,224            |
| <b>Total assets</b>                                               | <b>\$5,095,354</b> | <b>\$6,333,502</b> | <b>\$123,867</b>                                 | <b>\$</b>                                               | <b>—\$(6,866,793)</b> | <b>\$4,685,930</b> |
| <b>Liabilities and Stockholders' Equity</b>                       |                    |                    |                                                  |                                                         |                       |                    |
| Current maturities of long-term debt                              | \$23,895           | \$86               | \$—                                              | \$                                                      | —\$—                  | \$23,981           |
| Other current liabilities                                         | 130,030            | 212,146            | 19,578                                           | —                                                       | (264 )                | 361,490            |
| Accumulated losses of subsidiaries in excess of investment        | —                  | 73,130             | —                                                | —                                                       | (73,130 )             | —                  |
| Intercompany payable                                              | 888,444            | —                  | 1,046,114                                        | —                                                       | (1,934,558 )          | —                  |
| Long-term debt, net of current maturities and debt issuance costs | 3,051,481          | 418                | —                                                | —                                                       | —                     | 3,051,899          |
| Other long-term liabilities                                       | (95,723 )          | 257,484            | (10,428 )                                        | —                                                       | —                     | 151,333            |
| <b>Total stockholders' equity (deficit)</b>                       | <b>1,097,227</b>   | <b>5,790,238</b>   | <b>(931,397 )</b>                                | <b>—</b>                                                | <b>(4,858,841 )</b>   | <b>1,097,227</b>   |
| <b>Total liabilities and stockholders' equity</b>                 | <b>\$5,095,354</b> | <b>\$6,333,502</b> | <b>\$123,867</b>                                 | <b>\$</b>                                               | <b>—\$(6,866,793)</b> | <b>\$4,685,930</b> |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Condensed Consolidating Statements of Operations

|                                                | Three Months Ended March 31, 2018 |                           |                                   |                                   |               |              |
|------------------------------------------------|-----------------------------------|---------------------------|-----------------------------------|-----------------------------------|---------------|--------------|
|                                                |                                   |                           | Non-<br>Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries |               |              |
| (In thousands)                                 | Parent                            | Guarantor<br>Subsidiaries | (100%<br>Owned)                   | (Not<br>100%<br>Owned)            | Eliminations  | Consolidated |
| Total revenues                                 | \$20,841                          | \$ 600,962                | \$ 10,021                         | \$                                | —\$ (25,706 ) | \$ 606,118   |
| Operating costs and expenses                   |                                   |                           |                                   |                                   |               |              |
| Operating                                      | —                                 | 303,833                   | 9,630                             | —                                 | —             | 313,463      |
| Selling, general and administrative            | 11                                | 85,721                    | 1,862                             | —                                 | (11 )         | 87,583       |
| Maintenance and utilities                      | —                                 | 27,598                    | 328                               | —                                 | —             | 27,926       |
| Depreciation and amortization                  | 3,836                             | 46,530                    | 910                               | —                                 | —             | 51,276       |
| Corporate expense                              | 25,248                            | 3                         | 606                               | —                                 | —             | 25,857       |
| Project development, preopening and writedowns | 1,503                             | 173                       | 1,764                             | —                                 | —             | 3,440        |
| Other operating items, net                     | —                                 | 1,799                     | —                                 | —                                 | —             | 1,799        |
| Intercompany expenses                          | 301                               | 25,394                    | —                                 | —                                 | (25,695 )     | —            |
| Total operating costs and expenses             | 30,899                            | 491,051                   | 15,100                            | —                                 | (25,706 )     | 511,344      |
| Equity in earnings (losses) of subsidiaries    | 81,644                            | (185 )                    | —                                 | —                                 | (81,459 )     | —            |
| Operating income (loss)                        | 71,586                            | 109,726                   | (5,079 )                          | —                                 | (81,459 )     | 94,774       |
| Other expense (income)                         |                                   |                           |                                   |                                   |               |              |
| Interest expense, net                          | 43,519                            | 277                       | 6                                 | —                                 | —             | 43,802       |
| Loss on early extinguishments of debt          | 61                                | —                         | —                                 | —                                 | —             | 61           |
| Other, net                                     | —                                 | (364 )                    | (16 )                             | —                                 | —             | (380 )       |
| Total other expense (income), net              | 43,580                            | (87 )                     | (10 )                             | —                                 | —             | 43,483       |
| Income (loss) before income taxes              | 28,006                            | 109,813                   | (5,069 )                          | —                                 | (81,459 )     | 51,291       |
| Income tax benefit (provision)                 | 13,393                            | (24,384 )                 | 1,099                             | —                                 | —             | (9,892 )     |
| Net income (loss)                              | \$41,399                          | \$85,429                  | \$ (3,970 )                       | \$                                | —\$ (81,459 ) | \$ 41,399    |
| Comprehensive income (loss)                    | \$40,435                          | \$84,465                  | \$ (3,970 )                       | \$                                | —\$ (80,495 ) | \$ 40,435    |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Condensed Consolidating Statements of Operations - continued

|                                                                 | Three Months Ended March 31, 2017 |              |                                                      |                                                             |               |              |
|-----------------------------------------------------------------|-----------------------------------|--------------|------------------------------------------------------|-------------------------------------------------------------|---------------|--------------|
|                                                                 |                                   | Guarantor    | Non-<br>Guarantor<br>Subsidiaries<br>(100%<br>Owned) | Non-<br>Guarantor<br>Subsidiaries<br>(Not<br>100%<br>Owned) | Eliminations  | Consolidated |
| (In thousands)                                                  | Parent                            | Subsidiaries |                                                      |                                                             |               |              |
| Total revenues                                                  | \$18,710                          | \$ 604,113   | \$ 10,805                                            | \$ —                                                        | —\$ (23,563 ) | \$ 610,065   |
| Operating costs and expenses                                    |                                   |              |                                                      |                                                             |               |              |
| Operating                                                       | —                                 | 309,430      | 9,573                                                | —                                                           | —             | 319,003      |
| Selling, general and administrative                             | 6                                 | 89,601       | 2,012                                                | —                                                           | (6 )          | 91,613       |
| Maintenance and utilities                                       | —                                 | 26,101       | 298                                                  | —                                                           | —             | 26,399       |
| Depreciation and amortization                                   | 2,682                             | 50,283       | 999                                                  | —                                                           | —             | 53,964       |
| Corporate expense                                               | 19,864                            | 364          | 570                                                  | —                                                           | —             | 20,798       |
| Project development, preopening and<br>writedowns               | 1,255                             | 879          | 838                                                  | —                                                           | —             | 2,972        |
| Other operating items, net                                      | 75                                | 411          | —                                                    | —                                                           | —             | 486          |
| Intercompany expenses                                           | 301                               | 23,256       | —                                                    | —                                                           | (23,557 )     | —            |
| Total operating costs and expenses                              | 24,183                            | 500,325      | 14,290                                               | —                                                           | (23,563 )     | 515,235      |
| Equity in earnings (losses) of subsidiaries                     | 66,561                            | (129 )       | —                                                    | —                                                           | (66,432 )     | —            |
| Operating income (loss)                                         | 61,088                            | 103,659      | (3,485 )                                             | —                                                           | (66,432 )     | 94,830       |
| Other expense (income)                                          |                                   |              |                                                      |                                                             |               |              |
| Interest expense, net                                           | 42,839                            | 369          | 6                                                    | —                                                           | —             | 43,214       |
| Loss on early extinguishments and<br>modifications of debt      | 156                               | —            | —                                                    | —                                                           | —             | 156          |
| Other, net                                                      | —                                 | 127          | (16 )                                                | —                                                           | —             | 111          |
| Total other expense (income), net                               | 42,995                            | 496          | (10 )                                                | —                                                           | —             | 43,481       |
| Income (loss) from continuing operations<br>before income taxes | 18,093                            | 103,163      | (3,475 )                                             | —                                                           | (66,432 )     | 51,349       |
| Income tax benefit (provision)                                  | 17,358                            | (34,788 )    | 1,157                                                | —                                                           | —             | (16,273 )    |
| Income (loss) from continuing operations, net<br>of tax         | 35,451                            | 68,375       | (2,318 )                                             | —                                                           | (66,432 )     | 35,076       |
| Income from discontinued operations, net of tax                 | —                                 | 375          | —                                                    | —                                                           | —             | 375          |
| Net income (loss)                                               | \$35,451                          | \$ 68,750    | \$ (2,318 )                                          | \$ —                                                        | —\$ (66,432 ) | \$ 35,451    |
| Comprehensive income (loss)                                     | \$36,022                          | \$ 69,321    | \$ (2,318 )                                          | \$ —                                                        | —\$ (67,003 ) | \$ 36,022    |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Condensed Consolidating Statements of Cash Flows

|                                                                 | Three Months Ended March 31, 2018 |                           |                                      |                                             |             | Consolidated |
|-----------------------------------------------------------------|-----------------------------------|---------------------------|--------------------------------------|---------------------------------------------|-------------|--------------|
|                                                                 | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>(100%<br>Owned) | Non-<br>Guarantor<br>(Not<br>100%<br>Owned) | Elimination |              |
| (In thousands)                                                  |                                   |                           |                                      |                                             |             |              |
| Cash flows from operating activities                            |                                   |                           |                                      |                                             |             |              |
| Net cash from operating activities                              | \$(19,900)                        | \$ 144,168                | \$ (5,115 )                          | \$ —                                        | — \$ (628 ) | \$ 118,525   |
| Cash flows from investing activities                            |                                   |                           |                                      |                                             |             |              |
| Capital expenditures                                            | (13,097 )                         | (12,692 )                 | (129 )                               | —                                           | —           | (25,918 )    |
| Net activity with affiliates                                    | —                                 | (154,344 )                | —                                    | —                                           | 154,344     | —            |
| Other investing activities                                      | (500 )                            | —                         | —                                    | —                                           | —           | (500 )       |
| Net cash from investing activities                              | (13,597 )                         | (167,036 )                | (129 )                               | —                                           | 154,344     | (26,418 )    |
| Cash flows from financing activities                            |                                   |                           |                                      |                                             |             |              |
| Borrowings under bank credit facility                           | 179,600                           | —                         | —                                    | —                                           | —           | 179,600      |
| Payments under bank credit facility                             | (264,403 )                        | —                         | —                                    | —                                           | —           | (264,403 )   |
| Debt financing costs, net                                       | (9 )                              | —                         | —                                    | —                                           | —           | (9 )         |
| Net activity with affiliates                                    | 146,984                           | —                         | 6,732                                | —                                           | (153,716 )  | —            |
| Share-based compensation activities, net                        | (3,589 )                          | —                         | —                                    | —                                           | —           | (3,589 )     |
| Shares repurchased and retired                                  | (19,803 )                         | —                         | —                                    | —                                           | —           | (19,803 )    |
| Dividends paid                                                  | (5,632 )                          | —                         | —                                    | —                                           | —           | (5,632 )     |
| Other financing activities                                      | —                                 | (50 )                     | —                                    | —                                           | —           | (50 )        |
| Net cash from financing activities                              | 33,148                            | (50 )                     | 6,732                                | —                                           | (153,716 )  | (113,886 )   |
| Cash flows from discontinued operations                         |                                   |                           |                                      |                                             |             |              |
| Cash flows from operating activities                            | —                                 | —                         | —                                    | —                                           | —           | —            |
| Cash flows from investing activities                            | —                                 | —                         | —                                    | —                                           | —           | —            |
| Cash flows from financing activities                            | —                                 | —                         | —                                    | —                                           | —           | —            |
| Net cash from discontinued operations                           | —                                 | —                         | —                                    | —                                           | —           | —            |
| Net change in cash, cash equivalents and restricted cash        | (349 )                            | (22,918 )                 | 1,488                                | —                                           | —           | (21,779 )    |
| Cash, cash equivalents and restricted cash, beginning of period | 347                               | 213,963                   | 12,969                               | —                                           | —           | 227,279      |
| Cash, cash equivalents and restricted cash, end of period       | \$(2 )                            | \$ 191,045                | \$ 14,457                            | \$ —                                        | — \$        | \$ 205,500   |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017

## Condensed Consolidating Statements of Cash Flows - continued

|                                                                 | Three Months Ended March 31, 2017 |                           |                                      |                                                             |            | Elimination | Consolidated |
|-----------------------------------------------------------------|-----------------------------------|---------------------------|--------------------------------------|-------------------------------------------------------------|------------|-------------|--------------|
|                                                                 | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>(100%<br>Owned) | Non-<br>Guarantor<br>Subsidiaries<br>(Not<br>100%<br>Owned) |            |             |              |
| (In thousands)                                                  |                                   |                           |                                      |                                                             |            |             |              |
| Cash flows from operating activities                            |                                   |                           |                                      |                                                             |            |             |              |
| Net cash from operating activities                              | \$22,216                          | \$ 110,419                | \$ (15,757 )                         | \$ 254                                                      | \$ 472     |             | \$ 117,604   |
| Cash flows from investing activities                            |                                   |                           |                                      |                                                             |            |             |              |
| Capital expenditures                                            | (57,069 )                         | (22,951 )                 | (18 )                                | —                                                           | —          |             | (80,038 )    |
| Net activity with affiliates                                    | —                                 | (111,053 )                | —                                    | —                                                           | 111,053    |             | —            |
| Advances pursuant to development agreement                      | —                                 | —                         | (35,108 )                            | —                                                           | —          |             | (35,108 )    |
| Other investing activities                                      | —                                 | 44                        | —                                    | —                                                           | —          |             | 44           |
| Net cash from investing activities                              | (57,069 )                         | (133,960 )                | (35,126 )                            | —                                                           | 111,053    |             | (115,102 )   |
| Cash flows from financing activities                            |                                   |                           |                                      |                                                             |            |             |              |
| Borrowings under bank credit facility                           | 256,700                           | —                         | —                                    | —                                                           | —          |             | 256,700      |
| Payments under bank credit facility                             | (275,063 )                        | —                         | —                                    | —                                                           | —          |             | (275,063 )   |
| Debt financing costs, net                                       | (1,889 )                          | —                         | —                                    | —                                                           | —          |             | (1,889 )     |
| Net activity with affiliates                                    | 59,547                            | —                         | 52,232                               | (254 )                                                      | (111,525 ) |             | —            |
| Share-based compensation activities, net                        | (3,826 )                          | —                         | —                                    | —                                                           | —          |             | (3,826 )     |
| Other financing activities                                      | (50 )                             | (45 )                     | —                                    | —                                                           | —          |             | (95 )        |
| Net cash from financing activities                              | 35,419                            | (45 )                     | 52,232                               | (254 )                                                      | (111,525 ) |             | (24,173 )    |
| Cash flows from discontinued operations                         |                                   |                           |                                      |                                                             |            |             |              |
| Cash flows from operating activities                            | —                                 | (255 )                    | —                                    | —                                                           | —          |             | (255 )       |
| Cash flows from investing activities                            | —                                 | 630                       | —                                    | —                                                           | —          |             | 630          |
| Cash flows from financing activities                            | —                                 | —                         | —                                    | —                                                           | —          |             | —            |
| Net cash from discontinued operations                           | —                                 | 375                       | —                                    | —                                                           | —          |             | 375          |
| Net change in cash, cash equivalents and restricted cash        | 566                               | (23,211 )                 | 1,349                                | —                                                           | —          |             | (21,296 )    |
| Cash, cash equivalents and restricted cash, beginning of period | 1,212                             | 199,610                   | 9,528                                | —                                                           | —          |             | 210,350      |
| Cash, cash equivalents and restricted cash, end of period       | \$ 1,778                          | \$ 176,399                | \$ 10,877                            | \$ —                                                        | \$ —       |             | \$ 189,054   |

## NOTE 13. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after March 31, 2018. During this period, up to the filing date, we did not identify any additional subsequent events, other than the pending acquisition disclosed in Note 3, Acquisitions and Divestitures, and the payment of a cash dividend disclosed in Note 9, Stockholders' Equity and Stock Incentive Plans, the effects of which would require disclosure or adjustment to our financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
Executive Overview

Boyd Gaming Corporation (and together with its subsidiaries, the "Company," "Boyd Gaming," "we" or "us") was incorporated in the state of Nevada in 1988 and has been operating since 1975. The Company's common stock is traded on the New York Stock Exchange under the symbol "BYD."

We are a geographically diversified operator of 24 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Nevada, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi. We view each operating property as an operating segment. For financial reporting purposes, we aggregate our wholly owned properties into the following three reportable segments:

Las Vegas Locals

|                                    |                         |
|------------------------------------|-------------------------|
| Gold Coast Hotel and Casino        | Las Vegas, Nevada       |
| The Orleans Hotel and Casino       | Las Vegas, Nevada       |
| Sam's Town Hotel and Gambling Hall | Las Vegas, Nevada       |
| Suncoast Hotel and Casino          | Las Vegas, Nevada       |
| Eastside Cannery Casino and Hotel  | Las Vegas, Nevada       |
| Aliante Casino + Hotel + Spa       | North Las Vegas, Nevada |
| Cannery Casino Hotel               | North Las Vegas, Nevada |
| Eldorado Casino                    | Henderson, Nevada       |
| Jokers Wild Casino                 | Henderson, Nevada       |

Downtown Las Vegas

|                                               |                   |
|-----------------------------------------------|-------------------|
| California Hotel and Casino                   | Las Vegas, Nevada |
| Fremont Hotel and Casino                      | Las Vegas, Nevada |
| Main Street Station Casino, Brewery and Hotel | Las Vegas, Nevada |

Midwest and South

|                                       |                        |
|---------------------------------------|------------------------|
| Par-A-Dice Hotel Casino               | East Peoria, Illinois  |
| Blue Chip Casino, Hotel & Spa         | Michigan City, Indiana |
| Diamond Jo Dubuque                    | Dubuque, Iowa          |
| Diamond Jo Worth                      | Northwood, Iowa        |
| Kansas Star Casino                    | Mulvane, Kansas        |
| Amelia Belle Casino                   | Amelia, Louisiana      |
| Delta Downs Racetrack Casino & Hotel  | Vinton, Louisiana      |
| Evangeline Downs Racetrack and Casino | Opelousas, Louisiana   |
| Sam's Town Hotel and Casino           | Shreveport, Louisiana  |
| Treasure Chest Casino                 | Kenner, Louisiana      |
| IP Casino Resort Spa                  | Biloxi, Mississippi    |
| Sam's Town Hotel and Gambling Hall    | Tunica, Mississippi    |

We also own and operate a travel agency and a captive insurance company that underwrites travel-related insurance, each located in Hawaii. Financial results for these operations are included in our Downtown Las Vegas segment, as our Downtown Las Vegas properties concentrate their marketing efforts on gaming customers from Hawaii.

Most of our gaming entertainment properties also include hotel, dining, retail and other amenities. Our main business emphasis is on slot revenues, which are highly dependent upon the number of visits and spending levels of customers at our properties.

Our properties have historically generated significant operating cash flow, with the majority of our revenue being cash-based. While we do provide casino credit, subject to certain gaming regulations and jurisdictions, most of our

customers wager with cash and pay for non-gaming services by cash or credit card.

Our industry is capital intensive, and we rely heavily on the ability of our properties to generate operating cash flow in order to fund maintenance capital expenditures, fund acquisitions, provide excess cash for future development, repay debt financing and associated interest costs, repurchase our debt or equity securities, pay income taxes and dividends.

#### Our Strategy

Our overriding strategy is to increase shareholder value by pursuing strategic initiatives that improve and grow our business.

#### Strengthening Our Balance Sheet

We are committed to finding opportunities to strengthen our balance sheet through diversifying and increasing cash flow to reduce our debt.

#### Operating Efficiently

We are committed to operating more efficiently and endeavor to prevent unneeded expense in our business. As we continue to experience revenue growth in both our gaming and non-gaming operations, the efficiencies of our business model position us to flow a substantial portion of the revenue growth directly to the bottom line.

#### Evaluating Acquisition Opportunities

Our evaluations of potential transactions and acquisitions are strategic, deliberate, and disciplined. Our goal is to identify and pursue opportunities that are a good fit for our business, deliver a solid return for shareholders, and are available at the right price.

#### Maintaining Our Brand

The ability of our employees to deliver great customer service helps distinguish our Company and our brands from our competitors. Our employees are an important reason that our customers continue to choose our properties over the competition across the country.

#### Our Key Performance Indicators

We use several key performance measures to evaluate the operations of our properties. These key performance measures include the following:

Gaming revenue measures: slot handle, which means the dollar amount wagered in slot machines, and table game drop, which means the total amount of cash deposited in table games drop boxes, plus the sum of markers issued at all table games, are measures of volume and/or market share. Slot win and table game hold, which mean the difference between customer wagers and customer winnings on slot machines and table games, respectively, represent the amount of wagers retained by us and recorded as gaming revenues. Slot win percentage and table game hold percentage, which are not fully controllable by us, represent the relationship between slot handle to slot win and table game drop to table game hold, respectively.

Food and beverage revenue measures: average guest check, which means the average amount spent per customer visit and is a measure of volume and product offerings; number of guests served ("food covers") is an indicator of volume; and the cost per guest served is a measure of operating margin.

Room revenue measures: hotel occupancy rate, which measures the utilization of our available rooms; and average daily rate ("ADR"), which is a price measure.



## RESULTS OF OPERATIONS

## Overview

|                                                 | Three Months<br>Ended<br>March 31, |         |
|-------------------------------------------------|------------------------------------|---------|
| (In millions)                                   | 2018                               | 2017    |
| Total revenues                                  | \$606.1                            | \$610.1 |
| Operating income                                | 94.8                               | 94.8    |
| Income from continuing operations, net of tax   | 41.4                               | 35.1    |
| Income from discontinued operations, net of tax | —                                  | 0.4     |
| Net income                                      | 41.4                               | 35.5    |

## Adoption of Revenue Recognition Guidance

As discussed in Note 2, Summary of Significant Accounting Policies, in the notes to the condensed consolidated financial statements (unaudited), we adopted the Revenue Standard effective January 1, 2018, by applying the full retrospective method, which has impacted previously reported results. All prior year amounts discussed in this management's discussion and analysis have been adjusted, when necessary, to reflect the adoption of this guidance.

## Total Revenues

Total revenues decreased \$3.9 million, or 0.6%, for the three months ended March 31, 2018, compared to the prior year period due primarily to decreases in total revenues in the Midwest and South segment. The segment was impacted by unusually severe winter weather throughout the Midwest. In addition, in January 2018, a new tribal casino in South Bend, Indiana opened which competes with Blue Chip for gaming customers and, in combination with the severe winter weather, has resulted in declined revenues at the property.

## Operating Income

Operating income remained flat at \$94.8 million, during the three months ended March 31, 2018 as compared to 2017. We were able to offset the decline in total revenues with our continuing cost control and operational efficiencies efforts. Operating margins in gaming, food and beverage, rooms and other changed slightly and are discussed in detail below.

## Income from Continuing Operations, net of tax

Income from continuing operations, net of tax for the three months ended March 31, 2018 was \$41.4 million, as compared to \$35.1 million in the comparable prior year period, resulting in an increase of \$6.3 million. This increase is attributable to a \$6.4 million reduction in the income tax provision from the prior year comparable period, primarily due to the impact of the Tax Cuts and Jobs Act (the "Tax Act").

## Income from Discontinued Operations, net of tax

Income from discontinued operations, net of tax, reflects the results of our equity method investment in Borgata, which we sold in August 2016. The results for the three months ended March 31, 2017 include our share of property tax recovery proceeds realized by Borgata in the period.

## Net Income

Net income for the three months ended March 31, 2018 was \$41.4 million, compared with net income of \$35.5 million for the corresponding period of the prior year. The \$5.9 million change is primarily due to the \$6.3 million increase in income from continuing operations, net of tax (as discussed above), partially offset by a \$0.4 million decrease in income from discontinued operations from the prior year comparable period.



### Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which produced approximately 73% of gross revenues for each of the three month periods ended March 31, 2018 and 2017. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 14% of gross revenues for each of the three month periods ended March 31, 2018 and 2017. Room revenues and other revenues separately contributed less than 10% of gross revenues during these periods.

| (In millions)     | Three Months<br>Ended<br>March 31, |         |
|-------------------|------------------------------------|---------|
|                   | 2018                               | 2017    |
| <b>REVENUES</b>   |                                    |         |
| Gaming            | \$440.5                            | \$443.9 |
| Food and beverage | 85.4                               | 86.6    |
| Room              | 47.9                               | 46.9    |
| Other             | 32.3                               | 32.7    |
| Total revenues    | \$606.1                            | \$610.1 |

### COSTS AND EXPENSES

|                          |         |         |
|--------------------------|---------|---------|
| Gaming                   | \$189.0 | \$191.9 |
| Food and beverage        | 82.7    | 84.3    |
| Room                     | 20.9    | 21.3    |
| Other                    | 20.8    | 21.4    |
| Total costs and expenses | \$313.4 | \$318.9 |

### MARGINS

|                   |      |   |      |   |
|-------------------|------|---|------|---|
| Gaming            | 57.1 | % | 56.8 | % |
| Food and beverage | 3.2  | % | 2.6  | % |
| Room              | 56.4 | % | 54.5 | % |
| Other             | 35.6 | % | 34.6 | % |

### Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and table games offset by promotional allowances. The \$3.5 million, or 0.8%, decrease in gaming revenues during the three months ended March 31, 2018, as compared to the corresponding period of the prior year, was primarily due to the Downtown Las Vegas segment. The Downtown Las Vegas segment experienced a \$1.5 million decline in gaming revenue as a result of increased complementaries provided to gaming patrons of \$1.0 million along with a 1.9% drop in slot handle.

### Food and Beverage

Food and beverage revenues decreased \$1.2 million, or 1.4%, during the three months ended March 31, 2018, as compared to the corresponding period of the prior year. The decrease in food and beverage revenues was primarily due to a decline of \$1.8 million in food and beverage revenues in the Midwest and South segment. The decline was a result of a 8.6% decrease in food covers. Overall, food and beverage margins increased to 3.2% from 2.6% from the prior year comparable period, due primarily to an increase in average check of 4.2% while cost per cover increased by 3.9%.

### Room

Room revenues increased by \$1.1 million, or 2.3%, during the three months ended March 31, 2018, as compared to the corresponding period of the prior year due primarily to the Downtown Las Vegas segment. The average daily rate

increased 21.2% while hotel occupancy decreased 2.4% for the Downtown Las Vegas segment. Overall, room margins increased to 56.4% from 54.5% from the prior year comparable period, due primarily to the average daily rate of 5.6% increasing by more than the increase in the cost per room of 3.7%.

Other

Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues. Other revenues remained relatively consistent for the three months ended March 31, 2018, as compared to the prior year, slightly decreasing by 1.0%.

# Revenues and Adjusted EBITDA by Reportable Segment

We determine each of our properties' profitability based upon Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), which represents earnings before interest expense, income taxes, depreciation and amortization, deferred rent, share-based compensation expense, project development, preopening and writedowns expenses, impairments of assets and other operating items, net, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Adjusted EBITDA for each of the properties comprising our Las Vegas Locals, Downtown Las Vegas and Midwest and South segments before net amortization, preopening and other items. Results for Downtown Las Vegas include the results of our travel agency and captive insurance company in Hawaii. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations. Furthermore, corporate expense excludes its portion of share-based compensation expense.

EBITDA is a commonly used measure of performance in our industry that we believe, when considered with measures calculated in accordance with GAAP, provides our investors a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide a full understanding of our core operating results and as a means to evaluate period-to-period results.

The following table presents our total revenues and Adjusted EBITDA by Reportable Segment:

|                                          | Three Months<br>Ended<br>March 31, |         |
|------------------------------------------|------------------------------------|---------|
| (In millions)                            | 2018                               | 2017    |
| Total revenues                           |                                    |         |
| Las Vegas Locals                         | \$222.2                            | \$222.2 |
| Downtown Las Vegas                       | 60.5                               | 61.0    |
| Midwest and South                        | 323.4                              | 326.9   |
| Total revenues                           | \$606.1                            | \$610.1 |
| Adjusted EBITDA (1)                      |                                    |         |
| Las Vegas Locals                         | \$71.0                             | \$65.9  |
| Downtown Las Vegas                       | 13.2                               | 13.7    |
| Midwest and South                        | 94.3                               | 94.3    |
| Total Reportable Segment Adjusted EBITDA | 178.5                              | 173.9   |
| Corporate expense                        | (18.0 )                            | (18.1 ) |
| Adjusted EBITDA                          | \$160.5                            | \$155.8 |

(1) Refer to Note 11, Segment Information, in the notes to the condensed consolidated financial statements (unaudited) for a reconciliation of Total Reportable Segment Adjusted EBITDA to operating income, as reported in accordance with GAAP in our accompanying condensed consolidated statements of operations.

## Las Vegas Locals

Total revenues remained flat at \$222.2 million during the three months ended March 31, 2018 and 2017.

Adjusted EBITDA increased by \$5.1 million or 7.7%, for the three months ended March 31, 2018, over the comparable prior year period due primarily to our ongoing refinements to marketing programs, recent property re-investments and solid regional economic conditions.

Downtown Las Vegas

Total revenues remained relatively consistent during the three months ended March 31, 2018, as compared to the corresponding period of the prior year, only decreasing by \$0.5 million. We continue to tailor our marketing programs in the Downtown segment to cater to our Hawaiian market. Our Hawaiian market represented approximately 51% during both the three months ended March 31, 2018 and 2017 of our occupied rooms in this segment.

Adjusted EBITDA decreased by \$0.5 million or 3.6%, during the three months ended March 31, 2018, over the comparable prior year period due to increased fuel costs at our Hawaiian charter service, as well as roadwork that restricted access into downtown Las Vegas during the weekends in March 2018.

#### Midwest and South

Total revenues decreased 1.1% during the three months ended March 31, 2018, as compared to the corresponding period of the prior year, primarily due to unusually severe winter weather throughout the Midwest in first quarter 2018.

Adjusted EBITDA remained flat at \$94.3 million during the three months ended March 31, 2018 and 2017.

#### Other Operating Costs and Expenses

The following costs and expenses, as presented in our condensed consolidated statements of operations, are further discussed below:

|                                                | Three<br>Months<br>Ended<br>March 31, |        |
|------------------------------------------------|---------------------------------------|--------|
| (In millions)                                  | 2018                                  | 2017   |
| Selling, general and administrative            | \$87.6                                | \$91.6 |
| Maintenance and utilities                      | 27.9                                  | 26.4   |
| Depreciation and amortization                  | 51.3                                  | 54.0   |
| Corporate expense                              | 25.9                                  | 20.8   |
| Project development, preopening and writedowns | 3.4                                   | 3.0    |
| Other operating items, net                     | 1.8                                   | 0.5    |

#### Selling, General and Administrative

Selling, general and administrative expenses, as a percentage of revenues, were 14.4% and 15.0% during the three months ended March 31, 2018 and 2017, respectively. We continue to focus on disciplined and targeted marketing spend, and our ongoing cost containment efforts.

#### Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of revenues, were relatively consistent at 4.6% and 4.3% during the three months ended March 31, 2018 and 2017, respectively.

#### Depreciation and Amortization

Depreciation and amortization expenses, as a percentage of revenues, were 8.5% and 8.8% during the three months ended March 31, 2018 and 2017, respectively. The decline from the prior year period is driven by a decrease in intangible asset amortization of certain customer relationships that were fully amortized as of December 31, 2017.

#### Corporate Expense

Corporate expense represents unallocated payroll, professional fees, rent and various other administrative expenses that are not directly related to our casino and/or hotel operations, in addition to the corporate portion of share-based compensation expense. Corporate expense represented 4.3% and 3.4% of revenues during the three months ended March 31, 2018 and 2017, respectively. The corporate expense increase is primarily due to a \$5.2 million increase in share-based compensation expense as a result of a change in expense recognition. For the grants issued in 2016, those shares qualifying for accelerated vesting were expensed at the date of the grant, whereas the share-based compensation expense for grants issued in 2017 is being expensed over a six-month period, in accordance with plan provisions governing the acceleration of the vesting.

#### Project Development, Preopening and Writedowns

Project development, preopening and writedowns represent: (i) certain costs incurred and recoveries realized related to the activities associated with various acquisition opportunities, strategic initiatives, dispositions and other business development activities in the ordinary course of business; (ii) certain costs of start-up activities that are expensed as incurred in our ongoing efforts to develop gaming activities in new jurisdictions and expenses related to other new business development activities that do not qualify as capital costs; and (iii) asset write-downs.

**Other Operating Items, net**

Other operating items, net, is generally comprised of miscellaneous non-recurring operating charges, including direct and non-reimbursable costs associated with natural disasters and severe weather, including hurricane and flood expenses and subsequent recoveries of such costs, as applicable.

## Other Expenses

### Interest Expense, net

The following table summarizes information with respect to our interest expense on outstanding indebtedness:

|                                               | Three Months<br>Ended<br>March 31, |         |
|-----------------------------------------------|------------------------------------|---------|
| (In millions)                                 | 2018                               | 2017    |
| Interest Expense, net                         | \$43.8                             | \$43.2  |
| Average Long-Term Debt Balance <sup>(1)</sup> | 3,028.1                            | 3,295.8 |
| Weighted Average Interest Rates               | 5.3 %                              | 4.8 %   |

<sup>(1)</sup> Average debt balance calculation does not include the related discounts or deferred finance charges.

Interest expense, net of capitalized interest and interest income, for the three months ended March 31, 2018, increased \$0.6 million or 1.4%, as compared to the prior year, due to an increase in the weighted average interest rate from 4.8% to 5.3% for the three months ended March 31, 2018.

## Income Taxes

The effective tax rates on income from continuing operations during the three months ended March 31, 2018 and 2017 were 19.3% and 31.7%, respectively. The decrease in our effective tax rate for the first quarter 2018 compared to the same period in 2017 was primarily due to the impact of the Tax Act, which reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. Our provision for the three months ended March 31, 2018 and 2017 was favorably impacted by the inclusion of excess tax benefits, related to equity compensation, as a component of the provision for income taxes.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

We operate with minimal or negative levels of working capital in order to minimize borrowings and related interest costs. At March 31, 2018 and December 31, 2017, we had balances of cash and cash equivalents of \$179.7 million and \$203.1 million, respectively. In addition, we held restricted cash balances of \$25.8 million and \$24.2 million at March 31, 2018 and December 31, 2017, respectively. Despite such amounts of cash, we had working capital deficits of \$80.1 million and \$56.8 million at such respective dates.

Our bank credit facility generally provides all necessary funds for the day-to-day operations, interest and tax payments, as well as capital expenditures. On a daily basis, we evaluate our cash position and adjust the balance under our bank credit facility as necessary, by either borrowing or paying down debt with excess cash. We also plan the timing and the amounts of capital expenditures. We believe that the borrowing capacity under the bank credit facility, subject to restrictive covenants, and cash flows from operating activities will be sufficient to meet our liquidity and capital resource needs for the next twelve months, including our projected operating and maintenance capital expenditures. The source of funds available to us for repayment of debt or to fund development projects is derived primarily from cash flows from operations and availability under our bank credit facility, to the extent availability exists after we meet working capital needs, and subject to restrictive covenants. See "Indebtedness", below, for further detail regarding funds available through our bank credit facility.

The Company could also seek to secure additional working capital, repay respective current debt maturities, or fund respective development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings.

### Cash Flows Summary

| (In millions)                                          | Three Months<br>Ended<br>March 31, |           |
|--------------------------------------------------------|------------------------------------|-----------|
|                                                        | 2018                               | 2017      |
| Net cash provided by operating activities              | \$118.5                            | \$117.6   |
| Cash flows from investing activities                   |                                    |           |
| Capital expenditures                                   | (25.9 )                            | (80.0 )   |
| Advances pursuant to development agreement             | —                                  | (35.1 )   |
| Other investing activities                             | (0.5 )                             | —         |
| Net cash used in investing activities                  | (26.4 )                            | (115.1 )  |
| Cash flows from financing activities                   |                                    |           |
| Net payments under bank credit facility                | (84.8 )                            | (18.4 )   |
| Dividends paid                                         | (5.6 )                             | —         |
| Shares repurchased and retired                         | (19.8 )                            | —         |
| Other financing activities                             | (3.7 )                             | (5.8 )    |
| Net cash used in financing activities                  | (113.9 )                           | (24.2 )   |
| Net cash provided by discontinued operations           | —                                  | 0.4       |
| Decrease in cash, cash equivalents and restricted cash | \$(21.8 )                          | \$(21.3 ) |

### Cash Flows from Operating Activities

During the three months ended March 31, 2018 and 2017, we generated net operating cash flow of \$118.5 million and \$117.6 million, respectively. Generally, operating cash flows increased during 2018 as compared to the prior year

period due to the timing of working capital spending.

#### Cash Flows from Investing Activities

Our industry is capital intensive and we use cash flows for acquisitions, facility expansions, investments in future development or business opportunities and maintenance capital expenditures.

During the three months ended March 31, 2018 and 2017, we incurred net cash outflows for investing activities of \$26.4 million and \$115.1 million, respectively. The decrease in outflows as compared to the prior year period is due to the exercise of an option to acquire the land underlying The Orleans in first quarter 2017. In addition, we paid \$35.1 million in January 2017 for the

acquisition of land that is the intended site of the Wilton Rancheria casino, pursuant to our development agreement with the Wilton Rancheria Tribe.

#### Cash Flows from Financing Activities

We rely upon our financing cash flows to provide funding for investment opportunities, repayments of obligations and ongoing operations.

The net cash outflows for financing activities in the three months ended March 31, 2018, reflect primarily the use of excess cash to reduce our outstanding debt, repurchase outstanding common stock under our share repurchase program and pay cash dividends to our shareholders. The net cash outflows in the three months ended March 31, 2017 reflect primarily the use of cash flow to reduce our outstanding debt.

#### Cash Flows from Discontinued Operations

The decrease in cash flows provided by discontinued operations for the three months ended March 31, 2018, compared to the corresponding period of the prior year, is due to cash received in the prior year related to our share of property tax benefits realized by Borgata during the first quarter 2017.

#### Indebtedness

The outstanding principal balances of long-term debt, before unamortized discounts and fees, and the changes in those balances are as follows:

| (In millions)                             | March 31,<br>2018 | December 31,<br>2017 | Decrease   |
|-------------------------------------------|-------------------|----------------------|------------|
| Bank credit facility                      | \$ 1,536.2        | \$ 1,621.1           | \$ (84.9 ) |
| 6.875% senior notes due 2023              | 750.0             | 750.0                | —          |
| 6.375% senior notes due 2026              | 750.0             | 750.0                | —          |
| Other                                     | 0.5               | 0.5                  | —          |
| Total long-term debt                      | 3,036.7           | 3,121.6              | (84.9 )    |
| Less current maturities                   | 24.0              | 24.0                 | —          |
| Long-term debt, net of current maturities | \$ 3,012.7        | \$ 3,097.6           | \$ (84.9 ) |

The amount of current maturities includes certain non-extending balances scheduled to be repaid within the next twelve months under the bank credit facilities.

#### Amounts Outstanding

The principal amounts under the bank credit facility are comprised of the following:

| (In millions)                                                      | March<br>31,<br>2018 | December<br>31,<br>2017 |
|--------------------------------------------------------------------|----------------------|-------------------------|
| Revolving Credit Facility                                          | \$ 130.0             | \$ 170.0                |
| Term A Loan                                                        | 207.3                | 211.0                   |
| Refinancing Term B Loans                                           | 1,162.1              | 1,170.0                 |
| Swing Loan                                                         | 36.8                 | 70.1                    |
| Total outstanding principal amounts under the bank credit facility | \$ 1,536.2           | \$ 1,621.1              |

At March 31, 2018, approximately \$1.5 billion was outstanding under the bank credit facility. As such, with a total revolving credit commitment of \$775.0 million available under the bank credit facility, \$12.8 million was allocated to support various letters of credit, \$130.0 million was borrowed on the Revolving Credit Facility and \$36.8 million was borrowed on the Swing Loan, leaving remaining contractual availability of \$595.4 million.

The blended interest rate for outstanding borrowings under the bank credit facility was 4.2% at March 31, 2018 and 3.9% at December 31, 2017.

#### Debt Service Requirements

Debt service requirements under our current outstanding senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.375% to 6.875%) and principal repayments of our 6.875% senior notes due May 2023, and our 6.375% senior notes due April 2026.

#### Covenant Compliance

As of March 31, 2018, we believe that we were in compliance with the financial and other covenants contained in our debt instruments.

The indentures governing the senior notes contain provisions that allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, the fixed charge coverage ratio (as defined in the respective indentures, essentially a ratio of our consolidated EBITDA to fixed charges, including interest) for the trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Should this provision prohibit the incurrence of additional debt, we may still borrow under our existing bank credit facility, as well as from other funding sources as provided under our debt agreements.

#### Share Repurchase Program

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and bank credit facility.

Purchases under our stock repurchase program can be discontinued at any time at our sole discretion. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under our bank credit facility. In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to \$100 million. The Board of Directors reaffirmed this program in May 2017. We are not obligated to purchase any shares under our stock repurchase program. During the three months ended March 31, 2018, we repurchased 0.6 million shares of our common stock. There were no common stock repurchases for the three months ended March 31, 2017. We are currently authorized to repurchase up to an additional \$40.3 million in shares of our common stock under the share repurchase program.

We have in the past, and may in the future, acquire our debt or equity securities, through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine.

#### Quarterly Dividend Program

On May 2, 2017, the Company announced that its Board of Directors had authorized the reinstatement of the Company's cash dividend program.

The dividends declared by the Board under this program and reflected in the periods presented are:

| Declaration date | Record date       | Payment date     | Amount per share |
|------------------|-------------------|------------------|------------------|
| December 7, 2017 | December 28, 2017 | January 15, 2018 | \$0.05           |
| March 2, 2018    | March 16, 2018    | April 15, 2018   | 0.05             |

#### Other Items Affecting Liquidity

We anticipate funding our capital requirements using cash on hand, cash flows from operations and availability under our Revolving Credit Facility, to the extent availability exists after we meet our working capital needs for the next twelve months. Any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. The outcome of the specific matters discussed herein, including our commitments and contingencies, may also affect our liquidity.

## Commitments

### Capital Spending and Development

We currently estimate that our annual cash capital requirements to perform on-going refurbishment and maintenance at our properties to maintain our quality standards ranges from between \$140 million and \$160 million. This excludes the pending acquisitions discussed further below, and any incremental spending which we may incur for capital projects at the acquired properties.

In addition, we continue to pursue other potential development projects that may require us to invest significant amounts of capital. We continue to work with the Wilton Rancheria Tribe (the "Tribe"), a federally-recognized Native American tribe located about 15 miles southeast of Sacramento, California, to develop and manage a gaming entertainment complex. In January 2017, we funded the acquisition of land that is the intended site of the Wilton Rancheria casino for \$35.1 million. This cost will be reimbursed to us when the Tribe obtains permanent financing for the project. In February 2017, the land was placed into trust by the U.S. Bureau

of Indian Affairs for the benefit of the Tribe. In September 2017, the California State Legislature unanimously approved, and the Governor of California executed, a tribal-state gaming compact with the tribe allowing the development of the casino. With the compact now in place, we are in the process of finalizing project budget, design and construction planning. Once commenced, the construction timeline is expected to span 18 to 24 months.

We fund our capital expenditures through our bank credit facility and operating cash flows.

#### Pending Acquisitions

On May 2, 2018, we announced that we had entered into a definitive agreement to acquire Lattner Entertainment Group Illinois, LLC ("Lattner"), for total cash consideration of \$100.0 million, subject to adjustment based on cash, indebtedness and current liabilities of Lattner at closing and transaction expenses of Lattner. Lattner currently operates nearly 1,000 gaming units in 220 locations across the state of Illinois. The transaction is expected to close by the end of the second quarter of 2018, subject to the satisfaction of customary closing conditions and the receipt of all required regulatory approvals. We intend to finance the transaction through cash flow from operations and availability under our existing bank credit facility.

On December 18, 2017, we announced that we had entered into a definitive agreement with Penn National Gaming, Inc. (the "Penn National Purchase Agreement"), to acquire the operations of four properties, which include Ameristar St. Charles and Ameristar Kansas City, both in Missouri, along with Belterra Casino Resort in Florence, Indiana, and Belterra Park in Cincinnati, Ohio, for total net cash consideration of \$575.0 million, subject to adjustments based on (a) the adjusted 2017 EBITDA of each property (as determined per the agreement), and (b) working capital, cash and indebtedness of the combined properties at closing and transaction expenses (the "Penn National Purchase").

On December 20, 2017, we announced that we had entered into a definitive agreement with Valley Forge Convention Center Partners, L.P. (the "Valley Forge Merger Agreement"), to acquire Valley Forge Casino Resort ("Valley Forge") in King of Prussia, Pennsylvania, for total cash consideration of \$280.5 million, subject to adjustment based on working capital, cash and indebtedness of Valley Forge at closing and transaction expenses (the "Valley Forge Merger").

The completion of the Penn National Purchase and the Valley Forge Merger are each subject to customary conditions and the receipt of all required regulatory approvals, including, among others, approval by the required state gaming commissions and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. In first quarter 2018, the Company received anti-trust clearance from the Federal Trade Commission. In addition, the Penn National Purchase is also contingent upon the successful completion of Penn National's proposed acquisition of Pinnacle Entertainment, Inc. Subject to the satisfaction or waiver of the respective conditions in each of the Penn National Purchase Agreement and the Valley Forge Merger Agreement, we currently expect each of the transactions to close during the second half of 2018.

#### Other Opportunities

We regularly investigate and pursue additional expansion opportunities in markets where casino gaming is currently permitted. We also pursue expansion opportunities in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming. Such expansions will be affected and determined by several key factors, which may include the following:

- the outcome of gaming license selection processes;
- the approval of gaming in jurisdictions where we have been active but where casino gaming is not currently permitted;
- identification of additional suitable investment opportunities in current gaming jurisdictions; and

•availability of acceptable financing.

Additional projects may require us to make substantial investments or may cause us to incur substantial costs related to the investigation and pursuit of such opportunities, which investments and costs we may fund through cash flow from operations or availability under our bank credit facility. To the extent such sources of funds are not sufficient, we may also seek to raise such additional funds through public or private equity or debt financings or from other sources.

#### Contingencies

##### Legal Matters

We are parties to various legal proceedings arising in the ordinary course of business. We believe that all pending claims, if adversely decided, would not have a material adverse effect on our business, financial position or results of operations.

#### Off Balance Sheet Arrangements

There have been no material changes to our off balance sheet arrangements as defined in Item 303(a)(4)(ii) and described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 26, 2018.

#### Critical Accounting Policies

There have been no material changes, other than the adoption of ASU 2016-18, ASU 2016-15 and the Revenue Standard, to our critical accounting policies described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the period ended December 31, 2017, as filed with the SEC on February 26, 2018.

#### Recently Issued Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our condensed consolidated financial statements, see Note 2, Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements, in the notes to the condensed consolidated financial statements (unaudited).

#### Important Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements contain words such as "may," "will," "might," "expect," "believe," "anticipate," "could," "would," "estimate," "pursue," "target," "project," "intend," "plan," "seek," "should," "assume," and "continue," or the negative thereof or comparable terminology. Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include:

The risk that the conditions to the closing of the Penn National Purchase, the Valley Forge Merger or the Lattner acquisition are not satisfied, that we fail to consummate such acquisitions, when anticipated, or at all, or that we fail to complete financing activities to obtain funds for such acquisitions.

• The effects of intense competition that exists in the gaming industry.

The risk that our acquisitions and other expansion opportunities divert management's attention or incur substantial costs, or that we are otherwise unable to develop, profitably manage or successfully integrate the businesses we acquire.

The fact that our expansion, development and renovation projects (including enhancements to improve property performance) are subject to many risks inherent in expansion, development or construction of a new or existing project.

• The risk that any of our projects may not be completed, if at all, on time or within established budgets, or that any project will not result in increased earnings to us.

• The risk that significant delays, cost overruns, or failures of any of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.

• The risk that new gaming licenses or jurisdictions become available (or offer different gaming regulations or taxes) that results in increased competition to us.

The risk that negative industry or economic trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business, may result in significant write-downs or impairments in future periods.

• The risk that regulatory authorities may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other adverse actions against any of our casino operations.

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The risk that we may be unable to refinance our respective outstanding indebtedness as it comes due, or that if we do refinance, the terms are not favorable to us.

• The effects of the extensive governmental gaming regulation and taxation policies that we are subject to, as well as any changes in laws and regulations, including increased taxes, which could harm our business.

• The effects of federal, state and local laws affecting our business such as the regulation of smoking, the regulation of directors, officers, key employees and partners and regulations affecting business in general.

• The effects of extreme weather conditions or natural disasters on our facilities and the geographic areas from which we draw our customers, and our ability to recover insurance proceeds (if any).

• The effects of events adversely impacting the economy or the regions from which we draw a significant percentage of our customers, including the effects of economic recession, war, terrorist or similar activity or disasters in, at, or around our properties.

• The risk that we fail to adapt our business and amenities to changing customer preferences.

• Financial community and rating agency perceptions of us, and the effect of economic, credit and capital market conditions on the economy and the gaming and hotel industry.

• The effect of the expansion of legalized gaming in the regions in which we operate.

• The risk relating to the Kansas legislature authorizing a new gaming referendum allowing Wichita Greyhound Park to install slot machines, creating increased competition in the Kansas market.

• The risk of failing to maintain the integrity of our information technology infrastructure causing the unintended distribution of our customer data to third parties and access by third parties to our customer data.

• Our estimated effective income tax rates, estimated tax benefits, and merits of our tax positions.

• Our ability to utilize our net operating loss carryforwards and certain other tax attributes.

The risks relating to owning our equity, including price and volume fluctuations of the stock market that may harm the market price of our common stock and the potential of certain of our stockholders owning large interest in our capital stock to significantly influence our affairs.

• Other statements regarding our future operations, financial condition and prospects, and business strategies.

Additional factors that could cause actual results to differ are discussed in Part I. Item 1A. Risk Factors of our Annual Report on Form 10-K for the period ended December 31, 2017, and in other current and periodic reports filed from time to time with the SEC. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not hold any market risk sensitive instruments for trading purposes. Our primary exposure to market risk is interest rate risk, specifically long-term U.S. treasury rates and the applicable spreads in the high-yield investment market, short-term and long-term LIBOR rates, and short-term Eurodollar rates, and their potential impact on our long-term debt. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed-rate borrowings and short-term borrowings under our bank credit facility. We do not currently utilize derivative financial instruments for trading or speculative purposes.

As of March 31, 2018, our long-term variable-rate borrowings represented approximately 50.6% of total long-term debt. Based on March 31, 2018 debt levels, a 100 basis point change in the interest rate would cause our annual interest costs to change by approximately \$15.4 million.

See also "Liquidity and Capital Resources" above.

### Item 4. Controls and Procedures

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

## PART II. Other Information

## Item 1. Legal Proceedings

We are parties to various legal proceedings arising in the ordinary course of business. We believe that all pending claims, if adversely decided, would not have a material adverse effect on our business, financial position or results of operations.

## Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table discloses share repurchases that we have made pursuant to our share repurchase program during the three months ended March 31, 2018. For additional information, see below under Share Repurchase Program.

| Period                                     | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price<br>Paid Per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of a<br>Publicly<br>Announced<br>Plan | Approximate<br>Dollar Value<br>That May<br>Yet Be<br>Purchased<br>Under the<br>Plan |
|--------------------------------------------|-------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| January 1, 2018 through January 31, 2018   | 94,307                                    | \$ 36.78                              | 94,307                                                                                     | \$56,654,153                                                                        |
| February 1, 2018 through February 28, 2018 | 131,685                                   | 36.45                                 | 131,685                                                                                    | 51,854,098                                                                          |
| March 1, 2018 through March 31, 2018       | 333,097                                   | 34.63                                 | 333,097                                                                                    | 40,319,409                                                                          |
| Totals                                     | 559,089                                   |                                       | 559,089                                                                                    | \$40,319,409                                                                        |

## Share Repurchase Program

As of March 31, 2018, the Company's share repurchase program had \$40.3 million remaining. The share repurchase program does not have an expiration date and we are not obligated to purchase any shares under the program. Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under our bank credit facility.

We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and our bank credit facility.

We intend to make purchases of its common stock from time to time under this program through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine.

Item 6. Exhibits

| Exhibit Number | Document of Exhibit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Method of Filing                  |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| 31.1           | <u>Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Filed electronically herewith     |
| 31.2           | <u>Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Filed electronically herewith     |
| 32.1           | <u>Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Furnished electronically herewith |
| 32.2           | <u>Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Furnished electronically herewith |
| 101            | The following materials from Boyd Gaming Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017, (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017, (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2018 and 2017, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017, and (vi) Notes to Condensed Consolidated Financial Statements. | Filed electronically herewith     |

† Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the SEC.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 9, 2018.

**BOYD GAMING CORPORATION**

By: /s/ Anthony D. McDuffie  
Anthony D. McDuffie  
Vice President and Chief Accounting Officer