



MARCATO

Dillard's
November 2014

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(\$ in millions, except per share)

CURRENT VALUATION





Price Per Share	\$109
Diluted Shares Outstanding (MM)	41
Market Capitalization	\$4,491
(-) Cash	(102)
(+) Debt	823
Enterprise Value	\$5,212
Valuation (2015E)	
EV / EBITDA	6.2x
P / E	12.6x
FCF Yield % Per Share	10.0%

SUMMARY 2015E FINANCIALS⁽¹⁾








Revenue	\$6,847
4-Wall EBITDAR	\$1,027
(-) 3rd Party Rent Expense ⁽¹⁾	(26)
4-Wall EBITDA	\$1,001
(-) Net Corporate G&A Expense ⁽¹⁾	(160)
EBITDA	\$841
Net Income	\$343
Free Cash Flow⁽¹⁾	\$430

(1) Per Marcato estimates. Net Corporate G&A includes construction operating expenses, service charges and other income

RECENT RETAIL PRECEDENTS FOR EXECUTION OF OPCO / PROPCO TRANSACTION

Company	Status	Commentary
	<p>Actively exploring REIT transaction involving 200-300 owned properties, with shareholder rights offering to fund REIT equity</p>	<p><i>"In the event such sale-leaseback transaction were to occur, the Company would realize substantial proceeds from such sale, which would further enhance its liquidity."</i> – Press Release, November 7, 2014</p>
	<p>Reviewing real estate strategy with plans to announce details no later than FY2014 earnings call</p>	<p><i>"So we have, since the beginning, believed that we have very undervalued real estate assets locked up inside the Hudson's Bay Company, and our job is to be able to show our shareholders the value of the substantial real estate assets that the Hudson's Bay company owns."</i> – Richard Baker, CEO, September 12, 2014</p>
	<p>Completed \$400mm REIT IPO in July 2013</p>	<p><i>"This strategic initiative positions Loblaw's core businesses well for the future. We expect the REIT to not only unlock value for our shareholders, but also increase our financial capacity to pay-down debt, buy back shares, and create a long-term source of capital to invest and grow."</i> – Galen Weston, CEO, December 6, 2012</p>
	<p>Completed \$264mm REIT IPO in October 2013</p>	<p><i>"Today's announcement regarding a REIT would increase CTC's financial flexibility, providing us with the ability to access funds at an attractive cost of capital as we continue to invest in and grow our business."</i> – Stephen Wetmore, CEO, May 9, 2013</p>

OTHER RECENT LARGE, SINGLE-TENANT PROPCO TRANSACTIONS

Company	Status	Commentary
	REIT shares distributed in a tax free transaction in November 2013	<p><i>"This process will unlock the tremendous value of our real estate portfolio as we create two distinct public companies, which allows us, to attain a much lower blended cost of capital and allows us to move into markets and places and – where we cannot go today."</i></p> <p>– Peter Carlino, Chairman and CEO, Nov 16, 2012</p>
	Actively pursuing OpCo / PropCo transaction	<p><i>"The Company's board of directors believes that a REIT conversion could provide substantial benefits to the Company and its shareholders given its significant real estate holdings."</i></p> <p>– Press Release, August 25, 2014</p>
	Announced exploration of venue spin-off in October 2014	<p><i>"Investors favor companies with greater strategic focus on their core businesses. We are exploring the opportunity to improve upon the excellent shareholder return created since MSG's spin-off over four years ago by separating our business into two companies, each with its own distinct value proposition for investors."</i></p> <p>– Tad Smith, CEO, October 27, 2014</p>
	Announced intent to pursue an OpCo / PropCo transaction in November 2014	<p><i>"We believe the separation would provide a lower weighted average cost of capital and an attractive financial platform to take advantage of future opportunities to create long term shareholder value within the casino gaming industry"</i></p> <p>– Anthony Sanfilippo, CEO, November 6, 2014</p>
	Announced REIT evaluation in October 2014	<p><i>"We, together with our board, have been working with our financial and legal advisers, to make sure we are best positioned to increase shareholder value over the long term, including potentially, through the formation of a REIT."</i></p> <p>– Keith Smith, CEO, October 30, 2014</p>
	Executed \$1.5bn sale-leaseback of owned real estate portfolio to ARCP at 7.9% cash cap rate in July 2014	<p><i>"The structure of the agreement enables us to capture the value of Red Lobster and establish a market validated valuation of its real estate"</i></p> <p>– Chuck Ledsinger, Lead Director of Darden's Board, May 16, 2014</p>
	Announced OpCo / PropCo transaction being considered as part of creditor negotiation	

(\$ in millions, except per sq. ft.)

Key Metric: 4-Wall EBITDAR / Rent of 2.25x

4-Wall EBITDAR	\$1,027
(/) Rent Coverage Ratio	2.25x
Total Rent Expense	\$456
(/) Total Sq. Ft. (MM)	50.5
Implied Rent / Sq. Ft.	\$9.04

~\$456 million of total rent expense at market

Source: Marcato estimates

Median Rent / Sq. Ft. of ~\$11 for Select Recent Comparable Transactions

Sale Date	Listing	State	Price	Size (Sq. Ft.)	Price / Sq. Ft.	Cap Rate	Rent / Sq. Ft.
05-Sep-14	Ashley Furniture	Tennessee	\$5,240,000	50,800	\$103	7.5%	\$7.74
09-Jun-14	Kohl's	Florida	13,675,000	89,089	153	6.2%	9.52
17-Mar-14	Mattress Firm	Texas	5,906,250	36,139	163	7.6%	12.42
17-Mar-14	Tiger Direct	Florida	4,750,000	25,000	190	8.0%	15.20
15-Oct-13	T.J. Maxx / HomeGoods	Texas	5,700,000	70,701	81	6.6%	5.35
31-Jul-13	Office Depot	Ohio	2,205,000	18,000	123	8.8%	10.72
02-May-13	Office Depot	Florida	4,360,000	20,810	210	7.9%	16.51
18-Apr-13	Best Buy	Colorado	7,300,000	45,976	159	8.8%	13.89
28-Dec-12	Kohl's	Florida	12,000,000	89,249	134	6.3%	8.40
21-Dec-12	Office Depot	Florida	6,590,000	24,894	265	7.3%	19.19
N/A	Kohl's	Kansas	16,770,000	108,831	154	7.0%	10.79
N/A	Sears Outlet Store	Nevada	4,610,000	62,620	74	8.5%	6.26
N/A	STAGE (Bealls) Department Store	Texas	4,170,000	40,524	103	8.8%	9.00
Mean					\$147	7.6%	\$11.15
Median					\$153	7.6%	\$10.72

Source: LoopNet

PRO FORMA FINANCIALS

(\$ in millions, except per share)

Combined (2015E) =		PF "OpCo" +		PF "PropCo"	
Revenue	\$6,847	Revenue	\$6,847	Rental Revenue	\$456
				(-) 3rd Party Rent	(26)
4-Wall EBITDAR	\$1,027	4-Wall EBITDAR	\$1,027	(-) G&A	(15)
(-) 3rd Party Rent	(26)	(-) PropCo Rent	(456)	EBITDA	\$415
4-Wall EBITDA	\$1,001	4-Wall EBITDA	\$570	(-) Interest	(61)
(-) Net Corp. G&A ⁽¹⁾	(160)	(-) Net Corp. G&A ⁽¹⁾	(160)	(-) Maintenance CapEx	-
EBITDA	\$841	EBITDA	\$411	AFFO	\$354
<i>% margin</i>	12.3%	<i>% margin</i>	6.0%	(/) Diluted Shares Out.	41
				AFFO / Share	\$8.60
Net Debt	\$721	Net Debt	(\$102)	(x) Payout Ratio %	90.0%
Net Debt / EBITDA	0.9x	Net Debt / EBITDA	(0.2x)	Dividend / Share	\$7.74
4-Wall EBITDAR / Rent	39.5x	4-Wall EBITDAR / Rent	2.3x	Net Debt / EBITDA	2.0x
Adj. Net Debt / EBITDAR ⁽²⁾	1.1x	Adj. Net Debt / EBITDAR ⁽²⁾	4.1x	Net Debt	\$823

Source: Marcato estimates

(1) Net Corporate G&A includes construction operating expenses, service charges and other income

(2) Rent expense capitalized at 8x

TRADING COMPARABLES

(\$ in millions, except per share)

"Specialized" Net Lease REITs

	Stock Price	Market Cap	EV	EV / EBITDA		P/AFFO		Dividend Yield
				CY14	CY15	CY14	CY15	CY14
Gaming and Leisure Properties (Penn Gaming) ⁽¹⁾	\$31.78	\$3,693	\$6,207	15.4x	15.0x	12.1x	11.9x	6.6%
Choice Properties REIT (Loblaw)	9.46	3,638	9,494	22.3x	21.2x	14.6x	14.2x	6.1%
EPR Properties	56.59	3,237	4,700	14.3x	12.2x	14.4x	13.3x	6.0%
CTREIT (Canadian Tire)	10.42	1,891	4,388	19.4x	18.4x	16.3x	15.5x	5.5%
Average				17.9x	16.7x	14.3x	13.7x	6.0%

"Diversified" Net Lease REITs

	Stock Price	Market Cap	EV	EV / EBITDA		P/AFFO		Dividend Yield
				CY14	CY15	CY14	CY15	CY14
Realty Income Corporation	\$46.34	\$10,298	\$15,301	18.5x	16.9x	17.9x	17.2x	4.7%
W. P. Carey Inc.	66.40	6,715	10,168	15.0x	15.0x	13.9x	13.6x	5.5%
National Retail Properties, Inc.	38.36	4,797	6,653	17.6x	16.2x	18.4x	17.4x	4.3%
Spirit Realty Capital, Inc.	11.57	4,600	8,559	16.0x	15.1x	14.0x	13.5x	5.8%
Average				16.7x	15.8x	16.1x	15.4x	5.1%

Source: Bloomberg consensus estimates, Capital IQ, Marcato estimates

(1) Cap rates adjusted for taxable REIT subsidiary (TRS) at 6.5x EBITDA

TRADING COMPARABLES (CONT'D)

(\$ in millions, except per share)

Management / Operating Companies

	Stock Price	Market Cap	EV	EV / EBITDA		P/AFFO	
				CY14	CY15	CY14	CY15
Loblaw Companies Limited ⁽¹⁾	\$53.22	\$19,169	\$23,275	10.0x	8.3x	22.3x	17.3x
Canadian Tire Corp. Ltd.	111.57	8,837	11,944	10.0x	9.6x	16.6x	16.1x
Penn National Gaming	14.31	1,274	2,276	8.4x	7.8x	NM	NM
The Ensign Group, Inc.	40.70	944	902	8.1x	7.9x	18.6x	16.5x
Average				9.1x	8.4x	19.2x	16.6x

"Non-Traditional" REITs (OpCo + PropCo Combined)

	Stock Price	Market Cap	EV	EV / EBITDA		P/AFFO		Dividend Yield
				CY14	CY15	CY14	CY15	CY14
Iron Mountain Inc.	\$38.05	\$7,416	\$11,637	12.4x	12.1x	13.3x	13.6x	5.4%
Lamar Advertising Co.	52.62	5,039	6,952	12.6x	12.1x	12.9x	11.7x	4.8%
Corrections Corporation of America	36.09	4,237	5,428	14.1x	13.3x	14.1x	13.7x	5.5%
The GEO Group, Inc.	39.99	2,905	4,454	13.2x	12.9x	12.4x	12.2x	5.8%
Average				13.1x	12.6x	13.2x	12.8x	5.4%

Source: Bloomberg consensus estimates, Capital IQ, Marcato estimates

(1) All figures for Loblaw Companies, except stock price and P/E, adjusted to exclude 82.6% ownership interest in Choice Properties and securitized debt

Total Present Value Per Share⁽¹⁾

		PropCo EV/EBITDA				
		13.0x	14.0x	15.0x	16.0x	17.0x
OpCo EV/EBITDA	4.5x	\$158	\$168	\$179	\$189	\$199
	5.0x	163	173	184	194	204
	5.5x	168	178	189	199	209
	6.0x	173	183	193	204	214
	6.5x	178	188	198	209	219
	7.0x	183	193	203	214	224
	7.5x	188	198	208	219	229
Implied PropCo Valuation @ Various EBITDA Multiples						
		13.0x	14.0x	15.0x	16.0x	17.0x
Cap. Rate % ⁽²⁾		8.0%	7.4%	6.9%	6.5%	6.1%
P / AFFO		12.9x	14.1x	15.3x	16.4x	17.6x
Div. Yield %		7.0%	6.4%	5.9%	5.5%	5.1%

Source: Marcato estimates

(1) At 1/31/15

(2) Property-level NOI / Enterprise Value