



stream, (2) ability to close acquisitions without necessarily increasing leverage, (3) free cash flow generation and de-levering starting in 2017, and (4) strong liquidity and limited maturities.

For 2017, we project GLPI to generate adjusted EBITDA of \$886 million (+23.0% versus \$721 million) on revenues of \$973 million (+17.5% versus \$828 million). Factoring the impact from \$4 million of capital expenditures, \$202 million of interest expense, \$529 million of dividend payments, \$10 million of cash taxes, \$139 million in proceeds from share issuances and \$13 million in proceeds from dispositions, we estimate free cash flow of \$211 million. Using our forecast of \$4.50 billion of debt and \$44 million of cash, we estimate that GLPI will end 2017 with gross leverage of 5.1x and net leverage of 5.0x.

For 2018, we project GLPI to generate adjusted EBITDA of \$895 million (+1.0% versus \$886 million) on revenues of \$994 million (+2.0% versus \$973 million). Factoring the impact from \$4 million of capital expenditures, \$199 million of interest expense, \$548 million of dividend payments and \$10 million of cash taxes, we estimate free cash flow of \$134 million. Using our forecast of \$4.36 billion of debt and \$44 million of net available cash, we estimate that GLPI will end 2018 with gross leverage of 4.9x and net leverage of 4.8x.

Exhibit 2: Gaming and Leisure Properties (\$ Millions)

	2015(A)	2016(A)	LTM	2017(E)	2018(E)
Adjusted EBITDA	\$440	\$721	\$883	\$886	\$895
Less: Capital Expenditures	19	3	4	3	4
Less: Cash interest	110	155	201	202	199
Less: Cash taxes	10	7	12	10	10
Less: Dividends	252	428	520	529	548
Less: Acquisitions	0	3,268	84	83	0
Plus: Share Issuance	0	871	139	139	0
Plus: Dispositions	5	3	14	13	0
Free Cash Flow	\$54	(\$2,266)	\$215	\$211	\$134
Total Debt	\$2,541	\$4,716	\$4,491	\$4,497	\$4,363
Cash	42	37	44	44	44
Leverage	5.8x	6.5x	5.1x	5.1x	4.9x
Net Leverage	5.7x	6.5x	5.0x	5.0x	4.8x
Coverage	4.0x	4.7x	4.4x	4.4x	4.5x

Source: Company Filings and Deutsche Bank

Downside risks include deterioration in regional gaming fundamentals, which may lead to lower free cash flow generation.

International Gaming Technology. IGT reported a nice Q3'17 beat as traction across several product lines and discipline around costs appears to be gaining steam. Key positives that we identified during the quarter include: (1) strong same-store lottery revenue of 9.4% in North America; (2) signs of stabilization in the UK lottery; (3) the California contract renewal; (4) positive feedback from G2E; and (5) somewhat favorable conditions for the extension of the Italian Scratch & Win lottery contract (no tender process & no changes on the terms of existing contract). We continue to expect the company will report strong Q4'17 results as lottery headwinds are lapped, new slot content hits floors, and certain domestic operators ramp up their capital spend.