



We believe the current yield of the IGT 6.5% Senior Secured Notes due 2025 (\$112.3, 4.4% YTW, 199bps STW) is attractive on an outright basis given the modest leverage, strong collateral and free cash flow generation capability. Thus, we continue to rate these bonds as a Buy.

For 2017, we estimate IGT to report adjusted EBITDA of \$1.67 billion (-5.0% versus \$1.76 billion) on revenue of \$4.82 billion (-1.0% versus \$4.87 billion). After factoring the impact of \$600 million of capital expenditures, cash interest of \$435 million, cash taxes of \$325 million, dividends of \$162 million, upfront payments (includes S&W) of \$96 million, distribution to partners of \$140 million and \$995 million in asset sales proceeds (includes Double Down), we project total cash flow at \$902 million by year-end 2017. Using our projection of \$7.78 billion of debt and a \$390 million cash balance, we estimate that IGT will end 2017 with a gross leverage of 4.7x and a net leverage of 4.4x.

For 2018, we estimate IGT to report adjusted EBITDA of \$1.71 billion (+2.5% versus \$1.67 billion) on revenue of \$4.79 billion (-0.5% versus \$4.82 billion). After factoring the impact of \$600 million of capital expenditures, cash interest of \$395 million, cash taxes of \$275 million, dividends of \$162 million, upfront payments of \$566 million, and distribution to partners of \$150 million, we project total cash burn at \$443 million by year-end 2018. Using our projection of \$8.22 billion of debt and a \$390 million cash balance, we estimate that IGT will end 2018 with a gross leverage of 4.8x and a net leverage of 4.6x.

Exhibit 3: International Gaming Technology (\$ Millions)

	2015 (A)	2016 (A)	LTM	2017 (E)	2018 (E)
<b>Adjusted EBITDA</b>	<b>\$1,705</b>	<b>\$1,755</b>	<b>\$1,646</b>	<b>\$1,665</b>	<b>\$1,705</b>
Less: Capital Expenditures	403	557	738	600	600
Less: Cash interest	460	451	439	435	395
Less: Cash Taxes	199	183	207	325	275
Less: Dividends	210	161	153	162	162
Less: Distribution to partners	60	68	119	140	150
Less: Net upfront payments	0	409	228	96	566
Plus: Asset sales	231	186	1,122	995	0
<b>Free Cash Flow</b>	<b>\$604</b>	<b>\$112</b>	<b>\$883</b>	<b>\$902</b>	<b>(\$443)</b>
Total Debt	\$8,499	\$8,005	\$7,778	\$7,778	\$8,221
Cash	627	294	300	390	390
<b>Leverage</b>	<b>5.0x</b>	<b>4.6x</b>	<b>4.7x</b>	<b>4.7x</b>	<b>4.8x</b>
<b>Net Leverage</b>	<b>4.6x</b>	<b>4.4x</b>	<b>4.5x</b>	<b>4.4x</b>	<b>4.6x</b>
<b>Coverage</b>	<b>3.7x</b>	<b>3.9x</b>	<b>3.7x</b>	<b>3.8x</b>	<b>4.3x</b>

Source: Company Filings and Deutsche Bank

Downside risks include: (1) declining industry fundamentals; (2) the loss of lottery contracts; (3) the use of free cash flow for activities other than debt repayment; and (4) unfavorable FX impact.

MGM Resorts International. While MGM reported solid Q3'17, we believe that investor focus was on management's commentary regarding the impact of the tragic events of 10/1/17. Management noted that bookings declined immediately after October 1 because the company suspended its outbound marketing programs. Management also noted that they saw a spike in non-group cancellations (more than double than what they normally see). Management noted that these cancellations progressively subsided by mid-October and the booking pace returned to normalized levels after the company resumed its marketing efforts. Of importance, Mandalay Bay was the