



## Higher Yield for Higher Leverage

**Boyd Gaming** We continue to expect Boyd will be able to generate significant free cash flow which will allow the company to reach its target leverage goal (between 4.0x and 5.0x) in 2018. At this juncture, we are maintaining our Buy rating on Boyd 6.375% Senior Unsecured Notes 2026 (\$108.4, 4.5% YTW, 234bps STW).

For 2017, we are projecting Boyd Gaming will generate Adjusted EBITDA of \$596 million (+11.0% versus \$536 million) on revenues of \$2.37 billion (+8.5% versus \$2.18 billion). Of importance, our projection includes the incremental contribution from Aliante and Cannery. Factoring capital expenditures of \$245 million, cash interest of \$165 million, cash taxes of \$6 million, dividends of \$11 million, \$1 million towards acquisitions, \$22 million of share repurchases and \$36 million from a tax settlement related to Borgata, we project free cash flow of \$182 million in 2017. Using our projected total debt of \$3.08 billion and cash interest of \$165 million, we estimate Boyd Gaming will end the year with leverage of 5.2x and coverage of 3.6x. Factoring consolidated cash of \$159 million, we estimate net leverage at 4.9x.

For 2018, we are projecting Boyd Gaming will generate Adjusted EBITDA of \$628 million (+5.5% versus \$596 million) on revenues of \$2.41 billion (+1.5% versus \$2.37 billion). Factoring capital expenditures of \$110 million, cash interest of \$150 million, cash taxes of \$5 million, dividends of \$22 million, share repurchases of \$70 million, and \$35 million from dispositions, we project free cash flow of \$306 million in 2018. Using our projected total debt of \$2.77 billion and cash interest of \$150 million, we estimate Boyd Gaming will end the year with leverage of 4.4x and coverage of 4.2x. Factoring consolidated cash of \$159 million, we estimate net leverage at 4.2x.

Exhibit 1: Boyd Gaming (\$Millions)

	2015 (A)	2016 (A)	LTM	2017 (E)	2018 (E)
<b>Consolidated EBITDA</b>	<b>\$527</b>	<b>\$536</b>	<b>\$586</b>	<b>\$596</b>	<b>\$628</b>
Less: Capital Expenditures	131	160	239	245	110
Less: Cash interest	178	197	160	165	150
Less: Cash taxes	(1)	34	7	6	5
Less: Acquisitions	0	593	222	1	0
Less: Dividends	0	0	6	11	22
Less: Share Repurchase	0	0	22	22	70
Plus: Tax Settlement	0	0	36	36	0
Plus: Dispositions	0	594	0	0	35
<b>Free Cash Flow</b>	<b>\$219</b>	<b>\$146</b>	<b>(\$34)</b>	<b>\$182</b>	<b>\$306</b>
Total Debt	\$3,322	\$3,283	\$3,118	\$3,079	\$2,773
Cash	159	194	159	159	159
<b>Leverage</b>	<b>6.3x</b>	<b>6.1x</b>	<b>5.3x</b>	<b>5.2x</b>	<b>4.4x</b>
<b>Net Leverage</b>	<b>6.0x</b>	<b>5.8x</b>	<b>5.0x</b>	<b>4.9x</b>	<b>4.2x</b>
<b>Coverage</b>	<b>3.0x</b>	<b>2.7x</b>	<b>3.7x</b>	<b>3.6x</b>	<b>4.2x</b>

Source: Company Filings and Deutsche Bank

Downside risks to our call include a deterioration of industry fundamentals and incremental competitive pressure in the Midwest & South regions.

**Eldorado Resorts.** Going forward the primary focus for ERI is the completion of the Isle of Capri integration, which had a solid start as depicted by Q3'17 results. Further, this momentum continued into October 2017 as per