



management commentary. We estimate that the company will be able to generate meaningful free cash flow, which we anticipate will be used first to reduce leverage, to reinvest in the business and perhaps make further acquisitions. We are maintaining our Buy recommendation on ERI 6.0% Senior Notes due 2025 (\$105.0, 4.9% YTW, 275bps STW) based on relative value. We believe that the risk-reward profile of ERI 6.0% Senior Notes due 2025 compares favorably to PNK 5.625% Senior Unsecured Notes due 2024 (\$103.3, 4.8% YTW, 264bps STW). In our view, the lower expected leverage and real estate ownership more than compensates the one year of incremental maturity.

For 2017, we are projecting Eldorado will generate Adjusted EBITDA of \$399 million (+11.0% versus \$359 million) on revenues of \$1.70 billion (-1.5% versus \$1.72 billion). Factoring capital expenditures of \$80 million, cash interest of \$91 million, cash taxes of \$2 million, we project free cash flow of \$361 million in 2017. Using our projected total debt of \$2.08 billion, we estimate Eldorado will end the year with leverage of 5.2x. Factoring consolidated cash of \$135 million, we estimate net leverage at 4.9x.

Exhibit 2: Eldorado Resorts (\$ Millions)

	2016 (P)	LTM(P)	2017 (E)	2018 (E)
<b>Adjusted EBITDA</b>	<b>\$359</b>	<b>\$380</b>	<b>\$399</b>	<b>\$450</b>
Less: Capital Expenditures	\$100	\$100	\$80	\$125
Less: Cash interest	97	110	91	105
Less: Cash taxes	2	2	2	2
Plus: Asset sale	0	0	135	0
<b>Free Cash Flow</b>	<b>\$160</b>	<b>\$168</b>	<b>\$361</b>	<b>\$218</b>
Total Debt		\$2,256	\$2,078	\$1,860
Cash		135	135	135
<b>Leverage</b>		<b>5.9x</b>	<b>5.2x</b>	<b>4.1x</b>
<b>Net Leverage</b>		<b>5.6x</b>	<b>4.9x</b>	<b>3.8x</b>
<b>Coverage</b>		<b>3.5x</b>	<b>4.4x</b>	<b>4.3x</b>

Source: Company Filings and Deutsche Bank

For 2018, we are projecting Eldorado will generate Adjusted EBITDA of \$450 million (+13.0% versus \$400 million) on revenues of \$1.75 billion (+3.0% versus \$1.70 billion). Factoring capital expenditures of \$125 million, cash interest of \$105 million, cash taxes of \$2 million, we project free cash flow of \$218 million in 2018. Using our projected total debt of \$1.86 billion and cash interest of \$105 million, we estimate Eldorado will end the year with leverage of 4.1x and coverage of 4.3x. Factoring consolidated cash of \$135 million, we estimate net leverage at 3.8x.

Eldorado downside risks to our call include worse-than-expected cannibalization from existing or new competitors that may lead to EBITDA coming in below expectations. Pinnacle downside risks include increases in promotional activity in PNK's competitive markets. Pinnacle upside risks include improved performance at Lake Charles.

Everi Holdings. We believe that over the last twelve months the company's credit profile has significantly improved owing to the successful execution of management's strategy, the improvement of the gaming industry fundamentals, and the recent refinance of the company's capital structure. We believe that the recent refinance significantly improves the company free cash flow generation, which should ease some of investors' concerns regarding Everi's ability to reduce leverage.