With this report we are initiating coverage on the 7.5% Senior Unsecured Notes due 2025 ($99.3, 7.6% YTW, 524bps STW) with a Buy rating given our belief that these notes offer investors a strong total return opportunity versus the DB HY Gaming Index, currently trading at 4.6%.

For 2017, we expect EVRI to report adjusted EBITDA of $213 million (+7.5% versus $198 million) on revenue of $963 million (+12.0% versus $859 million). After factoring in the impact from $112 million of capital expenditures, $85 million of interest expense, and $2 million of cash taxes we expect EVRI to generate $14 million of free cash flow in 2017. Using our forecast of $1.19 billion of debt and $35 million of net available cash, we estimate that EVRI will end 2017 with gross leverage of 5.6x and net leverage of 5.4x.

For 2018, we expect EVRI to report adjusted EBITDA of $225 million (+6.0% versus $213 million) on revenue of $1.0 billion (+3.5% versus $963 million). After factoring in the impact from $100 million of capital expenditures, $65 million of interest expense, and $2 million of cash taxes we expect EVRI to generate $59 million of free cash flow in 2018. Using our forecast of $1.13 billion of debt and $35 million of net available cash, we estimate that EVRI will end 2018 with gross leverage of 5.0x and net leverage of 4.9x.

Exhibit 3: Everi Holdings ($ Millions)

	2015 (A)	2016 (A)	LTM	2017 (E)	2018 (E)
Adjusted EBITDA	**$200**	**$198**	**$211**	**$213**	**$225**
Less: Capital Expenditures	$80	$92	$97	$112	$100
Less: Cash Interest	98	93	98	85	65
Less: Cash taxes	(12)	2	1	2	2
Less: Acquisitions	11	1	0	0	0
Plus: Dispositions	2	5	0	0	0
Free Cash Flow	**$26**	**$15**	**$15**	**$14**	**$59**
Total Debt	$1,175	$1,151	$1,193	$1,193	$1,134
Cash	7	9	38	35	35
Leverage	**5.9x**	**5.8x**	**5.7x**	**5.6x**	**5.0x**
Net Leverage	**5.8x**	**5.8x**	**5.5x**	**5.4x**	**4.9x**
Coverage	**2.0x**	**2.1x**	**2.2x**	**2.5x**	**3.5x**

Source: Company Filings and Deutsche Bank

Downside risks include: (1) a deterioration of industry fundamentals; (2) the further loss of contracts; and (3) the use of free cash flow for activities other than debt repayment.

Golden Nugget. While the distribution made to the Parent resulted in higher leverage, we continue to believe that fundamentals for both segments remain strong. We continue to expect the company will generate meaningful free cash flow that should be used primarily for debt repayment.

With this report are initiating coverage on Golden Nugget 6.75% Senior Unsecured Notes due 2024 ($101.9, 6.2% YTW, 400bps STW) and Golden Nugget 8.75% Senior Unsecured Notes due 2025 ($105.1, 7.5% YTW, 528bps STW) with a buy rating bas

For 2017, we are projecting Golden Nugget will generate Adjusted EBITDA of $585 million (+5.0% versus $559 million) on revenues of $3.37 billion (+7.5% versus $3.13 billion). Factoring capital expenditures of $183 million, cash interest of $137 million and cash taxes of $15 million, we project free cash