



Rating
Buy

North America
United States

Consumer
Gaming & Lodging

Company
**Intl. Game
Technology Alert**

Reuters
IGT.N

Bloomberg
IGT US

Exchange
NYS
Ticker
IGT

Date
16 July 2018

Breaking News

| | |
|----------------------------|---------------|
| Price at 16 Jul 2018 (USD) | 24.40 |
| Price target | 35.00 |
| 52-week range | 30.59 - 17.79 |

Carlo Santarelli
Research Analyst
(+1) 212 250-5815
carlo.santarelli@db.com

IGT Pairs with FanDuel to Expand NJ Sports Betting Franchise

IGT Teaming Up with FanDuel for Sportsbook Product in New Jersey

This evening, post market close, IGT announced that it is partnering with FanDuel Group to provide FanDuel a sports betting platform in New Jersey at the Meadowlands. Recall, FanDuel was recently selected as the sports betting operator at the Meadowlands Racetrack in East Rutherford, NJ and will use the sports book analytics of its parent Company, Paddy Power Betfair. We view the transaction favorably as it opens another low risk revenue channel for IGT, while also opening a new relationship to further grow the sports vertical in the US as legalization efforts continue. Further, we think the partnership again speaks to the validity of IGT's presence in the US sports book market, given its existing technology and platform strength. Recall, IGT also runs the platform for the Borgata land-based sports book. Unlike the Borgata deal, however, the FanDuel deal will include IGT receiving a percentage of revenue from mobile wagering.

Product Details / FanDuel Launch

FanDuel is essentially combining IGT's B2B sports betting platform and customizable interface with Paddy Power Betfair's pricing/trading/risk management capabilities to create the FanDuel Sportsbook product. The final product allows FanDuel to facilitate sports betting over the counter and will ultimately include self-service retail kiosks, as well as online/mobile wagering, all using IGT's technology. FanDuel began taking bets at the Meadowlands this past weekend and we expect the venue to be a significant player in New Jersey given its proximity to population bases. We also got a glimpse of how some operators are targeting higher hold percentages than those exhibited in Las Vegas, as baseball money lines were a bit stretched, thereby creating a larger commission for the operator. It will be interesting to see if this pricing dynamic closes as the NJ market gets more competitive.

Financial Terms Undisclosed; Long Term Outlook Positive

While financial terms were not disclosed, we believe a reasonable assumption is that IGT will be paid a percentage of GGR in the mid-single digit range for use of its platform. Further, we believe the installation of IGT's self-service kiosks at the Meadowlands will be an additional revenue generator as IGT leverages its Italian sports book portfolio. Additionally, we believe this deal sets the stage for an expanded partnership, given FanDuel was also selected by The Greenbrier Resort in West Virginia to facilitate sports betting in the state (over the counter and online/mobile). We continue to view the sports betting opportunity favorably for IGT given its global expertise in the area and we believe this is likely the first of several applications of IGT's sports betting technology, as legalized sports betting continues to roll out across the U.S.

Deutsche Bank Securities Inc.

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation in connection with the preparation, distribution or use of this report. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT <https://research.db.com/Research/Disclosures/Company?ric=IGT.N> and <https://research.db.com/Research/Disclosures/CompanySearch> and <https://research.db.com/Research/Topics/Equities?topicId=RB0002> MCI (P) 091/04/2018.

Distributed on: 17/07/2018 00:57:33 GMT.