



Rating  
**Buy**

North America  
United States

Consumer  
Gaming & Lodging

Company  
**Intl. Game  
Technology**

Reuters  
IGT.N

Bloomberg  
IGT US

Exchange  
NYS

Ticker  
IGT

Date  
31 July 2018

Forecast Change

Price at 31 Jul 2018 (USD)	25.46
Price target	35.00
52-week range	30.59 - 18.59

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## A Lot Going Right at IGT; Reaffirm Buy & \$35 PT

### Strong 2Q18 & Solid Outlook Despite FX Headwinds; Buy

We believe IGT remains an inexpensive way to capitalize on; 1) an expanded and well received gaming hardware and content library in a healthy domestic gaming environment, 2) global lottery growth in the presence of major lottery contract stability / runway, 3) continued international gaming expansion, and 4) accelerating discretionary free cash flow generation. Following a strong 2Q18 and reaffirmed guidance, despite FX headwinds, we are maintaining our \$35 price target (~40% upside) and our Buy rating.

### Keys to the Call / Quarter

While IGT trades at a value multiple relative to peers, adjusted EBITDA is up 10% (~+5% in CC) in the YTD and key segment trends remain very sound. Notably; 1) gaming ops placements were up Q/Q again ahead of some key game launches, 2) gaming ops yields were up y/y in the 2Q18, 3) replacement demand is expected to be considerably stronger in the 2H relative to the 1H, most notably in the 4Q as new titles come to market, 4) Italy terminal services revenue grew 1% on a constant currency basis despite a ~26% decline in the AWP base y/y, 5) Italy lotto wagers were again up nicely (+7.5% in CC) despite the continued drag of the Late Numbers lottery, and 6) Italian S&W wagers were up 2.4% y/y in CC. Importantly, despite \$26 mm of FX headwinds relative to prior guidance, IGT maintained its \$1.70-1.78 bn guidance range, while noting that it expects 2H adjusted EBITDA to be more balanced, rather than slightly higher than that of the 1H. We believe the implication, given the headwinds, is that results would have been at or above the high end of the original guidance range ex. some of the items that emerged in the year, FX being the most noteworthy.

### Commercial Casino Equipment Sales Outlook Favorable

Overall, North American expansion sales grew 28% y/y, driven by the openings of Ocean and Hard Rock AC and the 3Q opening of MGM Springfield, while replacement sales were down 29%. Recall, IGT shipped 1K units to Washington and Oregon in the 2Q17, thus, a decline in replacements was anticipated. International unit sales declined 13% y/y due to lower replacement activity (Latin America), as replacement units were down 24% y/y, while expansion units climbed 66% y/y. In North America, we are currently forecasting unit sales to be down ~7% y/y in 2018, with replacement sales down ~9%. We believe a favorable pricing mix will offset some of the impact of the lower unit sales. We expect international unit sales to grow nicely in 2018, driven primarily by shipments to Sweden in the 4Q18.

### Global Lottery Growth Continues

On a same-store basis and adjusted for FX, North American same-store lottery

### Price Target; Risks

*Our \$35 PT (unchanged) is based on a S-O-T-P approach in which we apply segment level multiples, that we believe are supported by peer trading levels, to our 2019 adjusted EBITDA estimates. Through our S-O-T-P approach, we arrive at a blended multiple of 8.5x our 2019 consolidated EBITDA estimate, which produces a firm value of \$14.4 bn, from which we extract our capitalized minority interest EBITDA estimate and our YE 2019 net debt estimate of \$7.2 bn, leaving us with equity value of \$7.2 bn or \$35 per share. Our blended multiple is supported by what we believe to be a reasonably implied FCF yield of 7.7% on our 2019E FCF per share estimate. Risks include; 1) disruptions to domestic casino trends & 2) unfavorable outsized FX moves.*

### Forecasts And Ratios

Year End Sep 30	2017A	2018E	2019E
FY EPS (USD)	0.86	1.10	1.65
OLD FY EPS (USD)	0.86	1.68	2.18

Source: Deutsche Bank estimates, company data

<sup>1</sup> Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

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revenue grew a solid 4.2% y/y, again benefitting from both higher jackpot activity (\$2 ticket) as well as some tweaks to instant games (bigger tickets), which have been well received. International same-store lottery revenue was up 1.4% y/y, with instant tickets up 3% and multistate jackpots down 20.4%. Italian lottery retail sales were up 7.5% y/y including the MillionDAY lottery, which launched in February and added modestly to the y/y 2Q18 growth rate (+4.6% ex MillionDAY). Despite the strength, Late Numbers wagers were again soft, coming in at €33 mm, versus €88 mm in 2Q17. The 10eLotto, the largest of the now 4 lotteries, was up a strong 12.1% y/y, while core wagers were down 2.8% y/y. We are forecasting 7.6% retail sales growth, in constant currency in 2018, relative to the 7.6% decline (Euros) in 2017. The Italian S&W continues to grow nicely, with 2.4% expansion in the 2Q18, marking the 4th straight quarter of constant currency retail sales growth (CC ~+3% LTM versus prior LTM).

#### Sports Betting Partnership with FanDuel an Incremental Future Benefit

IGT spoke optimistically regarding its partnership with FanDuel, but again noted it is too early to quantify the opportunity. While the timing and size of the overall sports betting opportunity will ultimately depend on a number of factors, we believe IGT's experience in Italy and licensed sports book operations in Nevada, as well as NJ and MS now, position them well as individual states legalize sports betting. We note that our model has no contributions from sports betting in the US at this time.

#### Gaming Participation Outlook Favorable

IGT's domestic install base was grew 168 units on a sequential basis, the second consecutive quarter of sequential growth since 2016, which was a short lived sequential bounce. Management believes game traction (Fort Knox / Goonies / Harley Davidson / Sphinx 4D) speaks to install base growth in 2018 versus their prior expectation of stability and we believe the solid results in the 1H18, coupled with continued positive feedback from slot floor managers, demonstrates potential. Recall, the new Fort Knox wide-area progressive launched in late 2017, and feedback has been favorable, while the Sphinx 4D (WAP) launched with a Tribal operator in November. We believe gaming ops stability, as well as replacement stability to a lesser extent, are the biggest drivers of multiple expansion for IGT. We estimate gaming ops yields were up 2.7% y/y in the 2Q18 (adjusted for jackpot expense accounting), post low-single digit declines in 2017. Given what we expect will be continued regional gaming slot revenue growth in subsequent quarters, more limited pricing headwinds, and improving game mix, we believe yields have the potential to grow in 2018, though our forecasts assume just 120 bps of y/y outperformance on an apples to apples basis, adjusted for jackpot expense accounting.

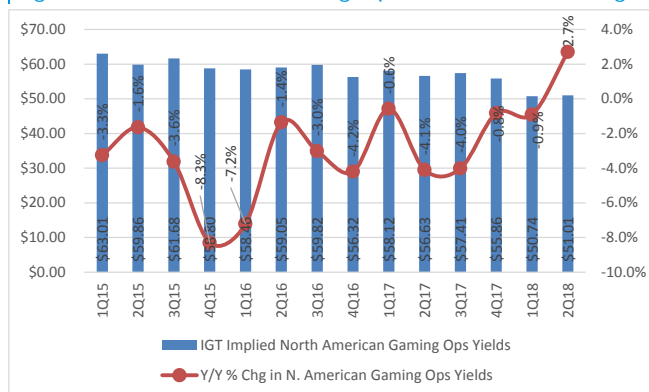


## Key Takeaways

**Gaming Participation Outlook Favorable:** IGT's domestic install base grew 168 units on a sequential basis, the second consecutive quarter of sequential growth since 2016, which was a short lived sequential bounce. Management believes game traction (Fort Knox / Goonies / Harley Davidson / Sphinx 4D) speaks to install base growth in 2018 versus their prior expectation of stability and we believe the solid results in the 1H18, coupled with continued positive feedback from slot floor managers, demonstrates potential. Recall, the new Fort Knox wide-area progressive launched in late 2017, and feedback has been favorable, while the Sphinx 4D (WAP) launched with a Tribal operator in November. On the stand-alone side, which has been a solid segment within the domestic ops business, IGT launched The Voice in December.

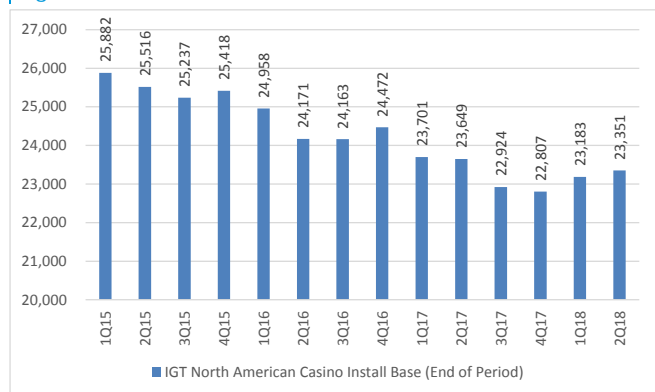
We estimate gaming ops yields were up 2.7% y/y in the 2Q18 (adjusted for jackpot expense accounting), post low-single digit declines in 2017. Given what we expect will be continued regional gaming slot revenue growth in subsequent quarters (ex. weather), more limited pricing headwinds, and improving game mix, we believe yields have the potential to grow in 2018, though our forecasts assume just 120 bps of y/y outperformance on an apples to apples basis, adjusted for jackpot expense accounting.

Figure 1: N. American Gaming Ops Yields & Y/Y % Chg.



Source: Company reports and Deutsche Bank

Figure 2: N. American Casino Install Base



Source: Company reports and Deutsche Bank

**Sports Betting Partnership with FanDuel an Incremental Future Benefit:** IGT spoke optimistically regarding its partnership with FanDuel, but again noted it is too early to quantify the opportunity. While the timing and size of the overall sports betting opportunity will ultimately depend on a number of factors, we believe IGT's experience in Italy and licensed sports book operations in Nevada position them well as individual states legalize sports betting. We note that our model has no contributions from sports betting in the US at this time.

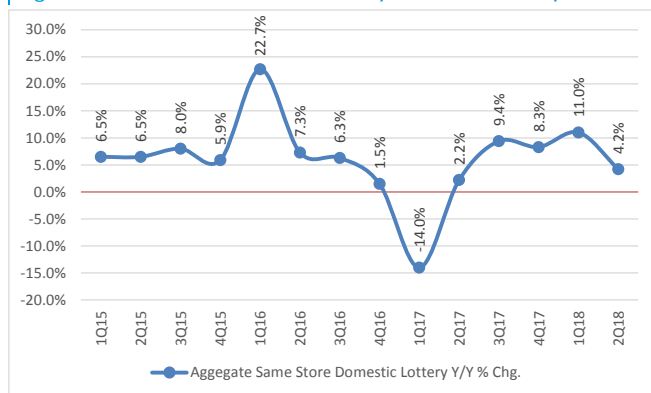
**R&D Run Rate Considerably Lower than Prior Forecasts:** After heavy R&D spend to refresh the gaming cabinet / content library, R&D was down a solid ~\$17 mm y/y to \$64 mm in the 2Q18. Recall, management has noted that the 1Q18 run rate of ~\$71 mm would be a good proxy for 2018, implying R&D spend in the range of \$280-285 mm, versus \$313 mm in 2017.

**Lottery Growth Continues:** On a same-store basis and adjusted for FX, North American same-store lottery revenue grew a solid 4.2% y/y, again benefitting from both higher jackpot activity (\$2 ticket) as well as some tweaks to instant games (bigger tickets), which have been well received. International same-store lottery revenue was up 1.4% y/y, with instant tickets up 3% and multistate jackpots down 20.4%. Italian lottery retail sales were up 7.5% y/y including the MillionDAY lottery, which launched in February and added modestly to the y/y 2Q18 growth rate (+4.6% ex MillionDAY). Despite the strength, Late Numbers wagers were again very low, coming in at €33 mm,



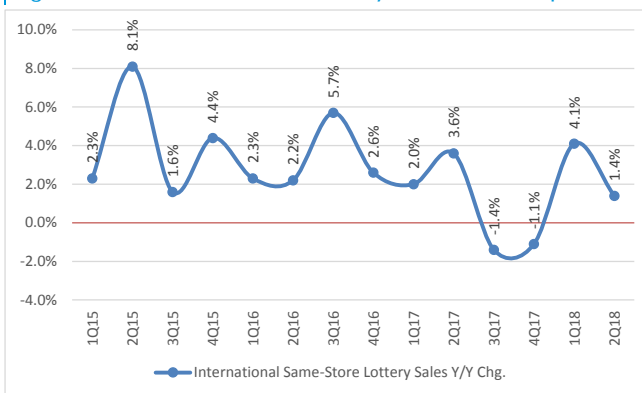
versus €88 mm in 2Q17. The 10eLotto, the largest of the now 4 lotteries, was up a strong 12.1% y/y while core wagers were down 2.8% y/y. We expect retail sales growth in the mid to high single digits in constant currency in 2018, relative to the 8% decline (Euros) in 2017. The Italian S&W continues to grow nicely, with 2.4% expansion in the 2Q18, marking the 4th straight quarter of low to mid-single digit constant currency retail sales growth.

Figure 3: N. American S-S Lottery Revenue Comps



Source: Company reports and Deutsche Bank

Figure 4: International S-S Lottery Revenue Comps



Source: Company reports and Deutsche Bank

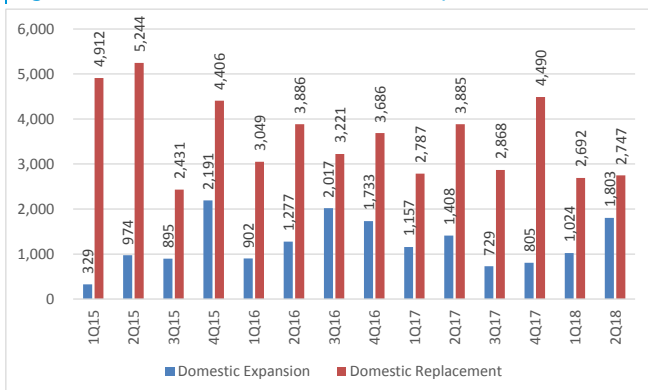
It is important to note that IGT has little in the way of truly impactful lottery contracts up for renewal on the horizon. At present, we view the New York expiration (2020) and the UK expiration (2023) as the next meaningful potential re-bids for which IGT is the incumbent. As for opportunities, management noted the PA 2019 expiration as the largest potential domestic opportunity. We believe the PA lottery contract generates roughly \$70 mm in annual revenue to the service provider (on-line / instants) and would note that recent FY sales were down.

Net-net, we believe; 1) the solid contract footing over the next several years, 2) healthy top-line retail sales / revenue trends, and 3) potential catalysts and/or growth accelerants should bode well for stable EBITDA growth over the near to medium term.

**Commercial Casino Equipment Sales Outlook Favorable:** Overall, North American expansion sales grew 28% y/y, driven by the openings of Ocean and Hard Rock AC and the 3Q opening of MGM Springfield, while replacement sales were down 29%. Recall, IGT shipped 1K units to Washington and Oregon in the 2Q17, thus, a decline in replacements was anticipated. International unit sales declined 13% y/y due to lower replacement activity (Latin America), as replacement units were down 24% y/y, while expansion units climbed 66% y/y. In North America, we are currently forecasting unit sales to be down ~7% y/y in 2018, with replacement sales down ~9%. We believe a favorable pricing mix will offset some of the impact of the lower unit sales. We expect international unit sales to grow nicely in 2018, driven primarily by shipments to Sweden in the 4Q18.

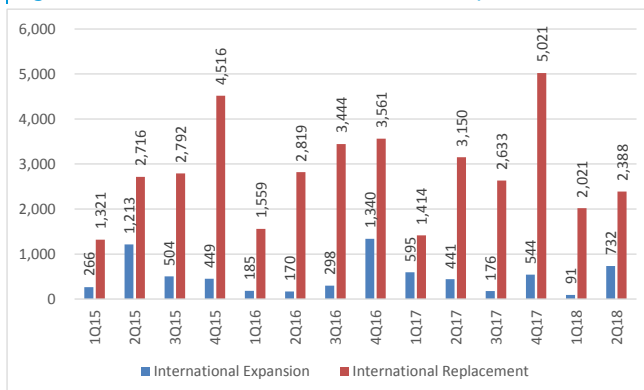


Figure 5: Domestic Unit Sales Quarterly



Source: Company reports and Deutsche Bank

Figure 6: International Unit Sales Quarterly



Source: Company reports and Deutsche Bank

**Balance Sheet Remains Sound:** Given stable fundamentals on both the gaming and lottery sides of the business, as well as healthy free cash flow in the out periods and limited one-time payments beyond the Italy S&W, we see the IGT balance sheet as an element of relative strength in the equipment supplier universe. While we no longer view buybacks as a likely near term path, we do believe there is room for dividend expansion in the 2H18 (3.1% yield at current levels) and we believe the current double digit free cash flow yield being offered by shares, at 4.1x net debt to EBITDA, is compelling.

Figure 7: Balance Sheet Snapshot

	2016	2017	2018E	2019E
Cash	\$541.3	\$1,305.4	\$821.0	\$821.0
Gross Debt	\$7,863.2	\$8,376.6	\$8,411.5	\$8,021.1
Net Debt	\$7,321.8	\$7,071.1	\$7,590.5	\$7,200.1
Interest Expense	\$469.3	\$458.9	\$429.3	\$430.5
EBITDA	\$1,754.5	\$1,675.6	\$1,746.2	\$1,837.3
Gross Debt/EBITDA	4.5x	5.0x	4.8x	4.4x
Net Debt/EBITDA	4.2x	4.2x	4.3x	3.9x
EBITDA/Interest Coverage	3.7x	3.7x	4.1x	4.3x

Source: Company reports and Deutsche Bank

#### Other Notable Commentary from the Call:

- EBITDA for the back half of the year is expected to be consistent with 1H performance, although the 4Q will be considerably stronger than the 3Q.
- IGT's Analyst Day will focus heavily on the lottery side of the business and is scheduled for August 2, 2018, in New York
- With respect to gaming restrictions in Italy, management expects the increased tax rate to have a \$10-15mm euro impact when fully implemented by 2021 and management believes the elimination of advertising expenses could offset some pressures given its brick and mortar presence, and established brand, should provide a competitive advantage.
- Management expects the domestic participation install base to be up y/y by the end of 2018 versus prior commentary of stabilization as reception to the content investments, new boxes, and new openings continues to drive sequential base growth.



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## 2Q 2018 Recap

A recap of 2Q18 results, relative to our forecasts, can be found in Figures 9 through 11. Adjusted EBITDA of \$442 mm (+4% y/y) compared favorably to our \$418 mm estimate and Consensus Metrix Consensus of \$413 mm. The \$24 mm of upside was driven by stronger domestic revenue, which offset a modest shortfall in International revenue, relative to our forecasts. Overall, net revenue of \$1.202 bn was \$30 mm ahead of our forecast and down 3% y/y on a constant currency basis. Recall, the 2Q18 included some contributions from Double Down (\$43 mm). Stronger product sales margins (+780 bps), lower SG&A (-7% y/y), and lower R&D (-21% y/y) were the primary drivers of the 200 bps of adjusted EBITDA margin expansion in the period, as the 36.7% adjusted EBITDA margin also compared favorably to our 35.6% estimate.

North American lottery services revenue declined 1.0% y/y (\$275 mm vs. our \$260 mm forecast) despite strong S-S revenue growth (+4.2%). Aggregate North American lottery revenue of \$309 mm compared favorably to our \$276 mm forecast and was up 5% in CC.

NA gaming product sales revenue was \$85 mm vs our \$92 mm estimate. Replacement units were down 29% y/y (2,747 vs DB 3,007), while expansion units of 1,803 were below our 1,840 forecast. The NA casino install base was up 168 units Q/Q. Ops yields expanded ~3% bps y/y, versus our +1% forecast.

Italy revenue of \$441 mm was in line with our \$442 mm estimate. Constant currency revenue was up 3% y/y. In constant currency (Euros), Lotto wagers grew 7.5% (DBe: +2%), while S&W wagers grew 2.4% (DBe: +3%).

International services revenue of \$123 mm was below our \$135 mm estimate, while international sales revenue of \$76 mm (DBe: \$73 mm), was ahead of our expectation. International unit sales of 3,120 were below our 3,450 unit forecast as expansion units (732 versus our 150) came in well above our estimate but replacement units were below (2,388 versus our 3,300).



Figure 8: 2Q 2018 Results Summary (\$ in MM Except Per Share Data)

(\$MM, except per-share data)

	IGT Actuals				Deutsche Bank Estimates	
	2Q18	2Q17	\$ Chg.	% Chg.	2Q18E	Diff.
N. America Gaming & Interactive Revenue	\$254	\$310	(\$56)	-18%	\$246	\$8
N. American Lottery Revenue	\$309	\$293	\$16	5%	\$276	\$33
International Revenue	\$199	\$211	(\$12)	-6%	\$208	(\$9)
Italy Revenue	\$441	\$404	\$37	9%	\$442	(\$1)
Other Revenue	(\$0)	\$2	(\$2)	NM	\$1	(\$1)
<b>Total Revenue</b>	<b>\$1,202</b>	<b>\$1,220</b>	<b>(\$17)</b>	<b>-1%</b>	<b>\$1,173</b>	<b>\$30</b>
Sales Revenue	\$195	\$196	(\$1)	-1%	\$182	\$13
Service Revenue	\$1,007	\$1,024	(\$16)	-2%	\$991	\$16
<b>Total Revenue</b>	<b>\$1,202</b>	<b>\$1,220</b>	<b>(\$17)</b>	<b>-1%</b>	<b>\$1,173</b>	<b>\$30</b>
Sales Gross Profit	\$73	\$58	\$15	26%	\$60	\$13
<i>Sales Profit Margin</i>	<i>37.2%</i>	<i>29.4%</i>		<i>782</i>	<i>32.9%</i>	<i>432</i>
Services Gross Profit	\$400	\$407	(\$7)	-2%	\$411	(\$11)
<i>Services Profit Margin</i>	<i>39.7%</i>	<i>39.7%</i>		<i>(7)</i>	<i>41.5%</i>	<i>(182)</i>
SG&A	\$196	\$210	(\$14)	-7%	\$212	(\$16)
R&D	\$64	\$81	(\$17)	-21%	\$71	(\$7)
Restructuring	\$3	\$11	(\$8)	-73%	\$5	(\$2)
Other	\$0	-\$30	\$30	NM	\$0	(\$0)
<b>Reported Operating Income</b>	<b>\$209</b>	<b>\$192</b>	<b>\$17</b>	<b>NM</b>	<b>\$183</b>	<b>\$26</b>
Adjustments to Operating Income	\$55	\$72	(\$17)	NM	\$118	(\$63)
<b>Adjusted Operating Income</b>	<b>\$264</b>	<b>\$264</b>	<b>\$0</b>	<b>0%</b>	<b>\$301</b>	<b>(\$37)</b>
<i>Adjusted Operating Income Margin</i>	<i>22.0%</i>	<i>21.7%</i>		<i>30</i>	<i>25.6%</i>	<i>(367)</i>
Interest Income	\$3	\$2	\$1	36%	\$2	\$1
Interest Expense	(\$106)	(\$116)	\$10	-8%	(\$114)	\$7
Other Net	(\$31)	(\$26)	(\$5)	NM	\$0	(\$31)
Foreign Exchange	\$173	(\$220)	\$393	NM	\$0	\$173
Pre Tax Income	\$247	(\$168)	\$416	NM	\$71	\$176
Income Tax	\$52	\$84	(\$32)	NM	\$21	\$31
<i>Income Tax Rate</i>	<i>21.1%</i>	<i>NM</i>		<i>NM</i>	<i>30.0%</i>	<i>NM</i>
<b>GAAP Net Income</b>	<b>\$195</b>	<b>(\$252)</b>	<b>\$447</b>	<b>NM</b>	<b>\$50</b>	<b>\$145</b>
Non-Controlling Interests	\$34	\$38	(\$4)	-11%	\$35	(\$1)
<b>GAAP Net Income to IGT</b>	<b>\$161</b>	<b>(\$290)</b>	<b>\$451</b>	<b>NM</b>	<b>\$15</b>	<b>\$147</b>
<b>GAAP EPS</b>	<b>\$0.79</b>	<b>(\$1.43)</b>	<b>\$2.22</b>	<b>NM</b>	<b>\$0.07</b>	<b>\$0.72</b>
Total Non-Recurring Items	(\$104)	\$321	(\$425)	NM	\$79	(\$183)
<b>Adjusted Net Income</b>	<b>\$57</b>	<b>\$31</b>	<b>\$26</b>	<b>84%</b>	<b>\$94</b>	<b>(\$37)</b>
<b>Recurring EPS</b>	<b>\$0.28</b>	<b>\$0.15</b>	<b>\$0.13</b>	<b>83%</b>	<b>\$0.46</b>	<b>(\$0.18)</b>
Basic Shares	204.1	202.9	\$1.2	1%	203.6	\$0.5
Diluted Shares	204.5	203.1	\$1.4	1%	204.2	\$0.3
<b>Adjusted EBITDA</b>	<b>\$441.8</b>	<b>\$423.7</b>	<b>\$18.1</b>	<b>4%</b>	<b>\$418.0</b>	<b>\$23.9</b>
<i>EBITDA Margin</i>	<i>36.7%</i>	<i>34.7%</i>		<i>200</i>	<i>35.6%</i>	<i>111</i>

Source: Company reports and Deutsche Bank



Figure 9: 2Q 2018 Domestic Driver Result Summary (\$ in MM Except Per Share Data)

(\$MM, except per-share data)

	IGT Actuals				Deutsche Bank Estimates	
	2Q18	2Q17	\$ Chg.	% Chg.	2Q18E	Diff.
North American Expansion Units	1,803	1,408	395	28%	1,840	(37)
North American Replacement Units	2,747	3,885	(1,138)	-29%	3,007	(260)
North American Average Revenue per Unit	\$13,626	\$13,981	(\$354)	-3%	\$13,841	(\$215)
<b>North American Unit Sales Revenue</b>	<b>\$62.0</b>	<b>\$74.0</b>	<b>(\$12.0)</b>	<b>-16%</b>	<b>\$67.1</b>	<b>(\$5.1)</b>
<b>Other North American Product Sales Revenue</b>	<b>\$23.0</b>	<b>\$28.0</b>	<b>(\$5.0)</b>	<b>-18%</b>	<b>\$25.2</b>	<b>(\$2.2)</b>
<b>North American Product Sales Revenue</b>	<b>\$85.0</b>	<b>\$102.0</b>	<b>(\$17.0)</b>	<b>-17%</b>	<b>\$92.3</b>	<b>(\$7.3)</b>
North American Casino Install Base (EOP)	23,351	23,649	(298)	-1%	23,233	118
North American Casino Install Base (Average)	23,267	23,675	(408)	-2%	23,208	59
Implied North American Gaming Ops Yields	\$51.01	\$49.67	\$1.34	3%	\$50.16	\$0.85
<b>Implied North American Gaming Ops Revenue</b>	<b>\$108.0</b>	<b>\$122.0</b>	<b>(\$14.0)</b>	<b>-11%</b>	<b>\$105.9</b>	<b>\$2.1</b>
<b>Other North American Gaming Services Revenue</b>	<b>\$61.0</b>	<b>\$43.0</b>	<b>\$18.0</b>	<b>42%</b>	<b>\$47.3</b>	<b>\$13.7</b>
<b>North American Gaming Services Revenue</b>	<b>\$169.0</b>	<b>\$208.0</b>	<b>(\$39.0)</b>	<b>-19%</b>	<b>\$153.2</b>	<b>\$15.8</b>
North American VLT Install Base (EOP)	15,176	15,267	(91)	-1%	15,126	50
North American VLT Install Base (Average)	15,139	15,138	1	0%	15,114	25
<b>North American VLT Revenue</b>	<b>\$25.0</b>	<b>\$25.0</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$25.5</b>	<b>(\$0.5)</b>
<b>North American Lottery Services Revenue</b>	<b>\$236.6</b>	<b>\$229.1</b>	<b>\$7.5</b>	<b>3%</b>	<b>\$222.2</b>	<b>\$14.4</b>
<b>Aggregate North American Lottery Services Revenue</b>	<b>\$274.6</b>	<b>\$278.0</b>	<b>(\$3.4)</b>	<b>-1%</b>	<b>\$259.7</b>	<b>\$14.9</b>
<b>North American Lottery Sales Revenue</b>	<b>\$34.0</b>	<b>\$15.0</b>	<b>\$19.0</b>	<b>127%</b>	<b>\$16.2</b>	<b>\$17.8</b>

Source: Company reports and Deutsche Bank





Figure 10: 2Q 2018 International Driver Result Summary (\$ in MM Except Per Share Data)

(\$MM, except per-share data)

	IGT Actuals				Deutsche Bank Estimates	
	2Q18	2Q17	\$ Chg.	% Chg.	2Q18E	Diff.
Aggregate Install Base (EOP)	16,340	12,129	4,211	35%	16,654	(314)
Aggregate Install Base (Average)	16,097	11,705	4,392	38%	16,254	(157)
International Gaming Ops Yields	\$8.87	\$12.20	(\$3.33)	-27%	\$10	(\$1)
<b>International Terminal Services Revenue</b>	<b>\$13.0</b>	<b>\$13.0</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$14.4</b>	<b>(\$1.4)</b>
Aggregate Same-Store Lottery	1.4%	3.6%	(220)		2.5%	(110)
<b>International Lottery Services Revenue</b>	<b>\$70.0</b>	<b>\$72.0</b>	<b>(\$2.0)</b>	<b>-3%</b>	<b>\$73.8</b>	<b>(\$3.8)</b>
<b>Other International Services Revenue</b>	<b>\$40.0</b>	<b>\$47.0</b>	<b>(\$7.0)</b>	<b>-15%</b>	<b>\$46.5</b>	<b>(\$6.5)</b>
<b>International Service Revenue</b>	<b>\$123.0</b>	<b>\$132.0</b>	<b>(\$9.0)</b>	<b>-7%</b>	<b>\$134.8</b>	<b>(\$11.8)</b>
International Expansion Units	732	441	291	66%	150	582
International Replacement Units	2,388	3,150	(762)	-24%	3,300	(912)
International Average Revenue per Unit	\$16,667	\$16,151	\$515	3%	\$14,250	\$2,417
<b>International Unit Sales Revenue</b>	<b>\$52.0</b>	<b>\$58.0</b>	<b>(\$6.0)</b>	<b>-10%</b>	<b>\$49.2</b>	<b>\$2.8</b>
<b>Other International Product Sales Revenue</b>	<b>\$24.0</b>	<b>\$21.0</b>	<b>\$3.0</b>	<b>14%</b>	<b>\$24.2</b>	<b>(\$0.1)</b>
<b>International Product Sales Revenue</b>	<b>\$76.0</b>	<b>\$79.0</b>	<b>(\$3.0)</b>	<b>-4%</b>	<b>\$73.3</b>	<b>\$2.7</b>
Italy B2B Install Base (Average)	8,338	8,931	(593)	-7%	8,400	(62)
Italy B2C Install Base (Average)	10,961	10,934	27	0%	10,931	30
Italy AWP Install Base (Average)	47,486	58,908	(11,422)	-19%	48,428	(942)
Implied Italy Revenue per Device in USD	\$26.33	\$20.93	\$5.40	26%	\$24.13	\$2.19
Y/Y Chg. in Italy Terminal Services Revenue (in Euros)	1.0%	0.7%	30		-8.0%	903
<b>Italy Terminal Services Revenue</b>	<b>\$160.0</b>	<b>\$150.0</b>	<b>\$10.0</b>	<b>7%</b>	<b>\$148.8</b>	<b>\$11.2</b>
Interactive Reported Wagers (Euros)	€ 459	€ 413	€ 46	11%	€ 434	€ 25
Interactive Wagers in USD	\$550	\$456	\$94	21%	\$512	\$39
<b>Implied Interactive Services Revenue (USD)</b>	<b>\$21.5</b>	<b>\$17.8</b>	<b>\$3.7</b>	<b>21%</b>	<b>\$20.0</b>	<b>\$1.5</b>
Aggregate Lotto Wagers (Euros)	€ 1,980	€ 1,842	€ 138	8%	€ 2,049	(€ 69)
Aggregate Lotto Wagers (USD)	\$2,374	\$2,035	\$339	17%	\$2,418	(\$44)
<b>Implied Lotto Services Revenue (USD)</b>	<b>\$142.5</b>	<b>\$122.1</b>	<b>\$20.3</b>	<b>17%</b>	<b>\$145.1</b>	<b>(\$2.6)</b>
S&W Reported Wagers (Euros)	€ 2,237	€ 2,183	€ 53	2%	€ 2,259	(€ 23)
S&W Wagers in USD	\$2,682	\$2,413	\$269	11%	\$2,666	\$16
<b>Implied Scratch &amp; Win Services Revenue (USD)</b>	<b>\$104.6</b>	<b>\$94.1</b>	<b>\$10.5</b>	<b>11%</b>	<b>\$104.0</b>	<b>\$0.6</b>
Sports Betting Wagers (Euros)	€ 244	€ 226	€ 19	8%	€ 249	(€ 4)
Sports Betting Wagers in USD	\$293	\$249	\$44	18%	\$293	(\$0)
Sports Hold Percentage	17.1%	17.7%	(60)		16.5%	60
<b>Implied Sports Betting Services Revenue (USD)</b>	<b>\$50.1</b>	<b>\$44.1</b>	<b>\$6.0</b>	<b>14%</b>	<b>\$48.4</b>	<b>\$1.7</b>
<b>Other Italy Revenue / Amortization</b>	<b>(\$37.6)</b>	<b>(\$24.1)</b>	<b>(\$13.5)</b>	<b>56%</b>	<b>(\$24.0)</b>	<b>(\$13.6)</b>
<b>Italy Services Revenue</b>	<b>\$441.0</b>	<b>\$404.0</b>	<b>\$37.0</b>	<b>9%</b>	<b>\$442.2</b>	<b>(\$1.2)</b>
<b>Italy Product Sales Revenue</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>NM</b>	<b>\$0.0</b>	<b>\$0.0</b>

Source: Company reports and Deutsche Bank



## Summary of Estimate Changes

Following 2Q18 results, our 2018 adjusted EBITDA goes to \$1.746 bn from \$1.730 bn and our 2019 adjusted EBITDA goes to \$1.837 bn from \$1.827 bn.

Figure 11: Summary of Estimate Changes (\$ in MM Except Per Share Data)

\$ in MM except per share data	3Q18E			2018E			2019E		
	Current	Prior	Delta	Current	Prior	Delta	Current	Prior	Delta
N. America Gaming & Interactive Revenue	\$234.5	\$240.2	(\$5.8)	\$992.8	\$988.5	\$4.3	\$1,030.1	\$1,015.6	\$14.5
N. American Lottery Revenue	\$291.4	\$299.4	(\$8.0)	\$1,184.3	\$1,162.6	\$21.7	\$1,196.0	\$1,184.7	\$11.3
International Revenue	\$217.1	\$239.9	(\$22.8)	\$875.6	\$928.9	(\$53.3)	\$918.6	\$970.3	(\$51.7)
Italy Revenue	\$425.4	\$418.2	\$7.2	\$1,822.0	\$1,802.6	\$19.4	\$1,805.3	\$1,818.3	(\$12.9)
Other Revenue	\$1.0	\$1.0	\$0.0	\$3.1	\$4.4	(\$1.3)	\$5.0	\$5.0	\$0.0
<b>Total Revenue</b>	<b>\$1,169.4</b>	<b>\$1,198.7</b>	<b>(\$29.4)</b>	<b>\$4,877.8</b>	<b>\$4,887.0</b>	<b>(\$9.2)</b>	<b>\$4,955.1</b>	<b>\$4,993.9</b>	<b>(\$38.8)</b>
Sales Gross Profit	\$55.0	\$61.5	(\$6.5)	\$281.7	\$280.0	\$1.7	\$299.9	\$296.9	\$3.0
<i>Sales Gross Profit Margin</i>	<i>30.2%</i>	<i>30.2%</i>	<i>(0)</i>	<i>35.2%</i>	<i>34.3%</i>	<i>94</i>	<i>36.5%</i>	<i>34.8%</i>	<i>169</i>
Services Gross Profit	\$397.7	\$405.9	(\$8.1)	\$1,638.7	\$1,645.7	(\$7.0)	\$1,722.7	\$1,725.8	(\$3.1)
<i>Services Gross Profit Margin</i>	<i>40.3%</i>	<i>40.8%</i>	<i>(50)</i>	<i>40.2%</i>	<i>40.4%</i>	<i>(25)</i>	<i>41.7%</i>	<i>41.7%</i>	<i>0</i>
SG&A	\$206.7	\$206.7	\$0.0	\$832.8	\$849.0	(\$16.2)	\$841.1	\$849.0	(\$7.9)
R&D	\$71.1	\$71.1	\$0.0	\$275.9	\$284.2	(\$8.3)	\$275.9	\$284.2	(\$8.3)
Restructuring	\$3.0	\$5.0	(\$2.0)	\$11.2	\$17.0	(\$5.9)	\$15.0	\$20.0	(\$5.0)
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	(\$0.0)	\$0.0	\$0.0	\$0.0
<b>Reported Operating Income</b>	<b>\$171.9</b>	<b>\$184.5</b>	<b>(\$12.6)</b>	<b>\$800.6</b>	<b>\$775.5</b>	<b>\$25.1</b>	<b>\$890.7</b>	<b>\$869.6</b>	<b>\$21.1</b>
<b>Adjusted Operating Income</b>	<b>\$226.6</b>	<b>\$302.2</b>	<b>(\$75.6)</b>	<b>\$1,019.0</b>	<b>\$1,182.6</b>	<b>(\$163.6)</b>	<b>\$1,107.8</b>	<b>\$1,284.6</b>	<b>(\$176.7)</b>
<i>Adjusted Operating Income Margin</i>	<i>19.4%</i>	<i>25.2%</i>	<i>(583)</i>	<i>20.9%</i>	<i>24.2%</i>	<i>(331)</i>	<i>22.4%</i>	<i>25.7%</i>	<i>(337)</i>
Sum of Non-Operating Expenses	(\$124.2)	(\$128.4)	\$4.3	(\$539.9)	(\$659.8)	\$119.9	(\$562.8)	(\$556.0)	(\$6.8)
<b>GAAP Net Income</b>	<b>\$47.7</b>	<b>\$56.1</b>	<b>(\$8.4)</b>	<b>\$260.7</b>	<b>\$115.7</b>	<b>\$145.0</b>	<b>\$327.8</b>	<b>\$313.6</b>	<b>\$14.3</b>
Non-Controlling Interests	\$35.0	\$35.0	\$0.0	\$142.3	\$143.6	(\$1.3)	\$145.0	\$145.0	\$0.0
<b>GAAP Net Income to IGT</b>	<b>\$12.7</b>	<b>\$21.1</b>	<b>(\$8.4)</b>	<b>\$118.4</b>	<b>(\$27.9)</b>	<b>\$146.3</b>	<b>\$182.8</b>	<b>\$168.6</b>	<b>\$14.3</b>
<b>GAAP EPS</b>	<b>\$0.06</b>	<b>\$0.10</b>	<b>(\$0.04)</b>	<b>\$0.58</b>	<b>(\$0.14)</b>	<b>\$0.71</b>	<b>\$0.89</b>	<b>\$0.83</b>	<b>\$0.07</b>
<b>Adjusted Net Income</b>	<b>\$51.0</b>	<b>\$100.0</b>	<b>(\$48.9)</b>	<b>\$224.7</b>	<b>\$342.6</b>	<b>(\$117.9)</b>	<b>\$338.4</b>	<b>\$445.1</b>	<b>(\$106.7)</b>
<b>Recurring EPS</b>	<b>\$0.25</b>	<b>\$0.49</b>	<b>(\$0.24)</b>	<b>\$1.10</b>	<b>\$1.68</b>	<b>(\$0.58)</b>	<b>\$1.65</b>	<b>\$2.18</b>	<b>(\$0.53)</b>
<b>Adjusted EBITDA</b>	<b>\$406.8</b>	<b>\$422.6</b>	<b>(\$15.9)</b>	<b>\$1,746.2</b>	<b>\$1,730.0</b>	<b>\$16.2</b>	<b>\$1,837.3</b>	<b>\$1,827.1</b>	<b>\$10.2</b>
<i>EBITDA Margin</i>	<i>34.8%</i>	<i>35.3%</i>	<i>(47)</i>	<i>35.8%</i>	<i>35.4%</i>	<i>40</i>	<i>37.1%</i>	<i>36.6%</i>	<i>49</i>

Source: Company reports and Deutsche Bank



## Price Target Analysis

Our \$35 price target (unchanged) is based on a sum of the parts approach in which we apply segment level multiples, that we believe are supported by peer trading levels, to our 2019 adjusted EBITDA estimates. Through our sum-of-the-parts approach, we arrive at a blended multiple of 8.5x our 2019 consolidated EBITDA estimate, which produces a firm value of \$14.4 bn, from which we extract our capitalized minority interest EBITDA estimate and our YE 2019 net debt estimate of \$7.2 bn (includes S&W payments), leaving us with equity value of \$7.2 bn or \$35 per share.

Our blended target multiple is supported by what we believe to be a reasonably implied FCF yield of 7.7% on our 2019E FCF per share estimate. We see this as appropriate given financial leverage of ~4.1x net debt to EBITDA at present.

Figure 12: Price Target Analysis (\$ in MM except per share data)

IGT	7/31/2018	Dividend / Yield
Current Price	\$25.60	\$0.80
Shares Outstanding (MRQ)	204.5	3.1%
Market Cap (\$ in MM)	\$5,235.6	
	<b>Target Multiple</b>	
2019EPS	<b>\$1.65</b>	
Implied PE Multiple at Price Target	21.3x	
<b>Price Target</b>	<b>\$35</b>	

Valuation	2019E EBITDA (\$ in MM)	Target Multiple	Firm Value (\$ in MM)
N. American Gaming & Interactive Adjusted EBITDA	\$349	9.5x	\$3,311
N. American Lottery Adjusted EBITDA	\$444	7.5x	\$3,327
International Adjusted EBITDA	\$248	7.5x	\$1,858
Italy Adjusted EBITDA	\$695	9.0x	\$6,253
<b>Segment EBITDA</b>	<b>\$1,735</b>	<b>8.5x</b>	<b>\$14,749</b>
Less Assumed Italy JV Partner Ownership	(\$136)	9.0x	(\$1,225)
Less Other (Includes D&A Add backs)	\$103	8.5x	\$873
<b>Un-Consolidated EBITDA</b>	<b>\$1,701</b>	<b>8.5x</b>	<b>\$14,397</b>
Less Net Debt (YE 2019E)			\$7,200
<b>Equity Value</b>			<b>\$7,196</b>
Shares Outstanding			204.5
<b>Price Target</b>			<b>\$35</b>
Total Return Potential Incl. Dividends			40.6%
2019E Free Cash Flow per Share			\$2.71
Implied FCF Yield at Our PT			7.7%

Source: Company reports and Deutsche Bank estimates



Figure 13: Price Target Sensitivity

		Price Target Sensitivity								
% chg. in EBITDA		-20.0%	-15.0%	-10.0%	-5.0%		5.0%	10.0%	15.0%	20.0%
2019E EBITDA		\$1,361	\$1,446	\$1,531	\$1,616	\$1,701	\$1,786	\$1,871	\$1,956	\$2,041
2019E Net Debt		\$7,421	\$7,366	\$7,311	\$7,255	\$7,200	\$7,145	\$7,090	\$7,034	\$6,979
Shares Outstanding		204.5	204.5	204.5	204.5	204.5	204.5	204.5	204.5	204.5
Price Target Multiples	7.0x	\$10	\$13	\$16	\$20	\$23	\$26	\$29	\$32	\$35
	7.5x	\$13	\$17	\$20	\$23	\$27	\$30	\$34	\$37	\$40
	8.0x	\$17	\$20	\$24	\$27	\$31	\$35	\$38	\$42	\$45
	8.5x	\$20	\$24	\$28	\$31	\$35	\$39	\$43	\$47	\$50
	9.0x	\$23	\$27	\$31	\$35	\$39	\$43	\$47	\$51	\$55
	9.5x	\$27	\$31	\$35	\$39	\$44	\$48	\$52	\$56	\$60
	10.0x	\$30	\$34	\$39	\$43	\$48	\$52	\$56	\$61	\$65

10% Move in EBITDA = ~\$3.70 per share

1 Multiple Point = ~\$8.30 per share

Source: Company reports and Deutsche Bank



## Valuation & Risks

At current levels, IGT trades at 7.3x and 6.8x our 2018 and 2019 adjusted EBITDA estimates, respectively. On a free cash flow basis, IGT trades at a 9.1% gross FCF yield on our 2018 estimate and a 10.6% yield on our 2019 estimate. While we believe EBITDA and FCF remain the preferred valuation metrics for IGT, we believe it is worth pointing out that current IGT trades at 23.3x and 15.5x our 2018 and 2019 EPS forecasts, respectively.

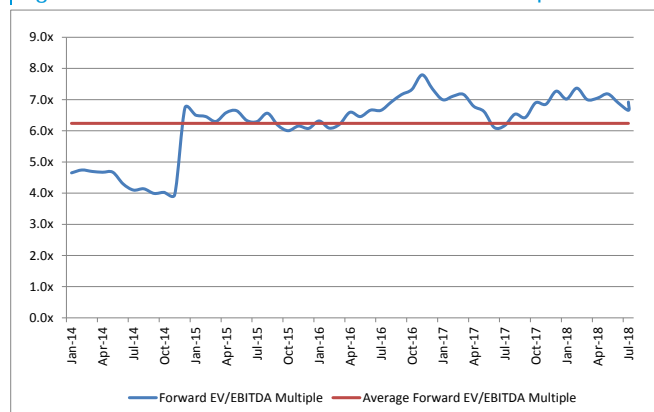
**Downside Risks Include:** Risks to our Buy rating, estimates, and price target include but are not limited to; 1) disruptions to domestic casino trends which cause a slowdown of operator slot equipment spend or lower slot play levels, 2) unfavorable outsized moves in foreign currencies that have a material impact to EBITDA, 3) losses of key lottery contracts, 4) unfavorable changes to tax structures in certain markets, and 5) other generic risks associated with a majority shareholder.

Figure 14: Current / Historical Trading Multiple / Yield Summary

Current EV/EBITDA Multiples		Historical EV/EBITDA Multiples		Current PE Multiples		Historical Forward P/E Multiples	
July 31, 2018				July 31, 2018			
Share Price	\$25.60	Average (2014 - Present)	6.2x	Share Price	\$25.60	Average (2014 - Present)	16.5x
Shares Outstanding (MRQ)	204.5	Peak (2014 - Present)	7.8x	Shares Outstanding (MRQ)	204.5	Peak (2014 - Present)	32.9x
Market Cap (\$ in MM)	\$5,236	Trough (2014 - Present)	3.3x	Market Cap (\$ in MM)	\$5,236	Trough (2014 - Present)	6.4x
2017 Net Debt	\$7,071			2017 EPS	\$0.86		
2018E Net Debt	\$7,591			2018E EPS	\$1.10		
2019E Net Debt	\$7,200			2019E EPS	\$1.65		
2017 EV	\$12,307			2017 PE	29.8x		
2018E EV	\$12,826			2018E PE	23.3x		
2019E EV	\$12,436			2019E PE	15.5x		
2017 EBITDA	\$1,676						
2018E EBITDA	\$1,746						
2019E EBITDA	\$1,837						
2017 EV/EBITDA	7.3x						
2018E EV/EBITDA	7.3x						
2019E EV/EBITDA	6.8x						
				Current FCF Yields			
				2017 FCF / Share	\$1.30		
				2018E FCF / Share	\$2.34		
				2019E FCF / Share	\$2.71		
				2017 FCF Yield	5.1%		
				2018E FCF Yield	9.1%		
				2019E FCF Yield	10.6%		

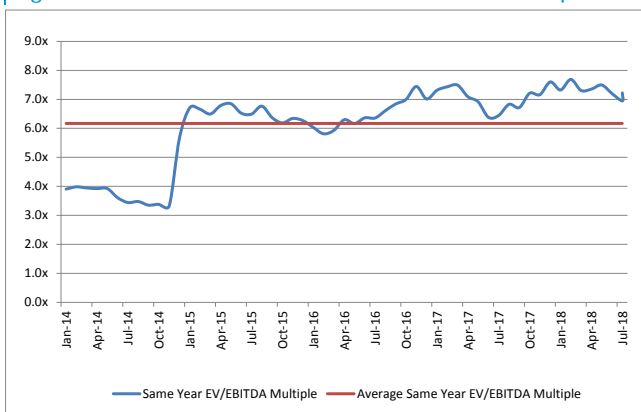
Source: Company reports, Factset, and Deutsche Bank

Figure 15: Historical Forward EV-EBITDA Multiple



Source: Company reports, Factset, and Deutsche Bank

Figure 16: Historical Same-Year EV-EBITDA Multiple



Source: Company reports, Factset, and Deutsche Bank



## Model

Figure 17: EPS Model (\$ in Millions Except Per Share Data)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
N. America Gaming & Interactive Revenue	\$1,412	\$1,375	\$305	\$310	\$262	\$281	\$1,158	\$244	\$254	\$234	\$261	\$993	\$1,030
YOY % Chg Constant FX		-2.7%	-9.7%	-11.1%	-17.7%	-24.1%	-15.8%	-20.0%	-18.0%			-14.3%	3.8%
YOY % Change	-12.1%	-2.6%	-10.0%	-11.4%	-17.4%	-23.8%	-15.8%	-20.2%	-18.1%	-10.5%	-7.1%	-14.3%	3.8%
N. American Lottery Revenue	\$1,065	\$1,192	\$281	\$293	\$307	\$304	\$1,185	\$295	\$309	\$291	\$289	\$1,184	\$1,196
YOY % Chg Constant FX		12.1%	-11.0%	2.4%	-0.2%	6.5%	-0.8%	5.0%	5.0%			-0.1%	1.0%
YOY % Change	4.4%	11.9%	-10.7%	2.4%	0.0%	7.0%	-0.6%	4.8%	5.3%	-5.1%	-4.8%	-0.1%	1.0%
International Revenue	\$922	\$827	\$164	\$211	\$234	\$280	\$889	\$184	\$199	\$217	\$276	\$876	\$919
YOY % Chg Constant FX		-6.8%	-8.8%	3.3%	7.9%	23.2%	7.1%	6.0%	-6.0%			-1.5%	4.9%
YOY % Change	-11.6%	-10.3%	-11.4%	1.9%	8.8%	27.3%	7.5%	12.2%	-5.7%	-7.2%	-1.6%	-1.5%	4.9%
Italy Revenue	\$1,705	\$1,762	\$402	\$404	\$418	\$481	\$1,705	\$483	\$441	\$425	\$473	\$1,822	\$1,805
YOY % Chg Constant FX		3.5%	-6.2%	-8.4%	-7.2%	-3.1%	-6.2%	4.0%	3.0%			6.9%	-0.9%
YOY % Change	-19.2%	3.3%	-9.5%	-8.8%	-1.9%	7.1%	-3.2%	20.1%	9.2%	1.8%	-1.7%	6.9%	-0.9%
Other Revenue	(\$16)	(\$2)	(\$0)	\$2	\$0	\$0	\$1	\$1	(\$0)	\$1	\$1	\$3	\$5
<b>Total Revenue</b>	<b>\$5,088</b>	<b>\$5,154</b>	<b>\$1,153</b>	<b>\$1,220</b>	<b>\$1,221</b>	<b>\$1,346</b>	<b>\$4,939</b>	<b>\$1,207</b>	<b>\$1,202</b>	<b>\$1,169</b>	<b>\$1,299</b>	<b>\$4,878</b>	<b>\$4,955</b>
yoy % chg. Constant FX		2.0%	-8.6%	-4.7%	-5.5%	-2.0%	-3.0%	-2.0%	-3.0%			-1.2%	1.6%
yoy % chg.	-12.0%	1.3%	-10.1%	-5.1%	-3.5%	1.9%	-4.2%	4.7%	-1.4%	-4.2%	-3.5%	-1.2%	1.6%
Sales Revenue	\$816	\$778	\$126	\$196	\$208	\$272	\$802	\$159	\$195	\$182	\$263	\$800	\$822
YOY % Change	-18.8%	-4.6%	-14.1%	0.0%	17.8%	5.0%	3.1%	26.7%	-0.5%	-12.5%	-3.3%	-0.3%	2.8%
as a % of Revenue	16.0%	15.1%	10.9%	16.1%	17.0%	20.2%	16.2%	13.2%	16.2%	15.6%	20.3%	16.4%	16.6%
Service Revenue	\$4,272	\$4,376	\$1,027	\$1,024	\$1,013	\$1,073	\$4,137	\$1,048	\$1,007	\$987	\$1,036	\$4,078	\$4,133
YOY % Change	-10.5%	2.4%	-9.5%	-6.1%	-7.0%	1.1%	-5.5%	2.0%	-1.6%	-2.5%	-3.5%	-1.4%	1.3%
as a % of Revenue	84.0%	84.9%	89.1%	83.9%	83.0%	79.8%	83.8%	86.8%	83.8%	84.4%	79.7%	83.6%	83.4%
Cost of Sales	\$584	\$582	\$114	\$138	\$150	\$176	\$579	\$103	\$122	\$127	\$165	\$518	\$522
YOY % Change		-0.2%	-6.1%	-4.3%	10.0%	-1.6%	-0.5%	-9.6%	-11.5%	-15.6%	-6.3%	-10.6%	0.8%
Sales Profit Margin	28.5%	25.2%	9.1%	29.4%	27.7%	35.3%	27.8%	35.2%	37.2%	30.2%	37.3%	35.2%	36.5%
chg. in bps		(328)	(771)	320	516	435	259	2,605	782	250	200	746	125
Cost of Services	\$2,531	\$2,553	\$624	\$617	\$625	\$687	\$2,553	\$618	\$608	\$590	\$624	\$2,439	\$2,410
YOY % Change	0.9%	-3.8%	-3.3%	0.0%	7.0%	0.0%	0.0%	-1.0%	-1.5%	-5.7%	-9.2%	-4.5%	-1.2%
Services Profit Margin	40.8%	41.6%	39.2%	39.7%	38.3%	36.0%	38.3%	41.0%	39.7%	40.3%	39.8%	40.2%	41.7%
chg. in bps		87	(365)	(171)	(432)	(356)	(336)	180	(7)	200	375	190	150
SG&A	\$929	\$946	\$201	\$197	\$209	\$209	\$816	\$215	\$196	\$207	\$215	\$833	\$841
YOY % Change		1.8%	-11.9%	-12.1%	-18.8%	-11.8%	-13.7%	7.3%	-6.7%	5.0%	3.0%	2.0%	1.0%
as a % of Revenue	18.3%	18.4%	17.4%	17.2%	16.1%	15.5%	16.5%	17.8%	16.3%	17.7%	16.5%	17.1%	17.0%
chg. in bps		9	(36)	(138)	(304)	(241)	(183)	43	(93)	155	104	55	(10)
R&D	\$340	\$344	\$83	\$81	\$79	\$71	\$313	\$71	\$64	\$71	\$70	\$276	\$276
YOY % Change		1.0%	-2.5%	-4.5%	-9.6%	-18.6%	-8.9%	-13.7%	-20.6%	-10.0%	-2.0%	-11.9%	0.0%
as a % of Revenue	6.7%	6.7%	7.2%	6.6%	6.5%	5.3%	6.3%	5.9%	5.3%	6.1%	5.4%	5.7%	5.6%
chg. in bps		(2)	56	5	(43)	(133)	(33)	(126)	(128)	(39)	8	(68)	(9)
Restructuring	\$77	\$28	\$9	\$11	\$10	\$9	\$40	\$2	\$3	\$3	\$3	\$11	\$15
YOY % Change		-63.7%	-1.6%	78.1%	76.3%	42.8%	42.8%	-78.2%	-72.6%	-69.9%	-67.3%	-72.0%	34.5%
Other	\$62	\$40	\$2	(\$30)	\$716	(\$0)	\$688	\$0	(\$0)	\$0	\$0	\$0	\$0
<b>Reported Operating Income</b>	<b>\$566</b>	<b>\$660</b>	<b>\$119</b>	<b>\$192</b>	<b>(\$556)</b>	<b>\$194</b>	<b>(\$51)</b>	<b>\$197</b>	<b>\$209</b>	<b>\$172</b>	<b>\$223</b>	<b>\$801</b>	<b>\$891</b>
Reported Operating Income Margin	11.1%	12.8%	10.3%	15.7%	-45.5%	14.4%	-1.0%	16.3%	17.4%	14.7%	17.1%	16.4%	18.0%
chg. in bps		170	(432)	245	(5,849)	397	(1,385)	598	166	6,024	272	1,745	156
Purchase Accounting	\$364	\$468	\$107	\$90	\$88	\$65	\$350	\$52	\$52	\$52	\$52	\$207	\$207
Other Adjustments	\$139	\$38	\$12	(\$18)	\$726	\$9	\$728	\$2	\$3	\$3	\$3	\$11	\$10
<b>Adjusted Operating Income</b>	<b>\$1,069</b>	<b>\$1,167</b>	<b>\$238</b>	<b>\$264</b>	<b>\$257.6</b>	<b>\$268</b>	<b>\$1,028</b>	<b>\$251</b>	<b>\$264</b>	<b>\$227</b>	<b>\$277</b>	<b>\$1,019</b>	<b>\$1,108</b>
Adjusted Operating Income Margin	21.0%	22.6%	20.6%	21.7%	21.1%	19.9%	20.8%	20.8%	22.0%	19.4%	21.3%	20.9%	22.4%
chg. in bps		163	(358)	(92)	(149)	(130)	(183)	18	30	(172)	141	8	147
Interest Income	\$18	\$13	\$3	\$2	\$3	\$2	\$10	\$3	\$3	\$2	\$2	\$10	\$8
Interest Expense	(\$458)	(\$469)	(\$115)	(\$116)	(\$114)	(\$114)	(\$459)	(\$110)	(\$106)	(\$106)	(\$107)	(\$429)	(\$431)
Other Net	(\$132)	\$18	\$3	(\$26)	(\$10)	(\$0)	(\$33)	\$3	(\$31)			(\$28)	
Foreign Exchange	\$6	\$101	(\$47)	(\$220)	(\$118)	(\$59)	(\$444)	(\$97)	\$173			\$76	
Pre Tax Income	(\$1)	\$323	(\$37)	(\$168)	(\$794)	\$23	(\$977)	(\$4)	\$247	\$68	\$118	\$429	\$468
Income Tax	\$35	\$59	(\$10)	\$84	(\$20)	(\$83)	(\$29)	\$61	\$52	\$20	\$35	\$168	\$141
Income Tax Rate	-2426.4%	18.3%	27.8%	NM	2.5%	NM	3.0%	NM	21.1%	30.0%	30.0%	39.2%	30.0%
<b>GAAP Net Income</b>	<b>(\$36)</b>	<b>\$264</b>	<b>(\$27)</b>	<b>(\$252)</b>	<b>(\$774)</b>	<b>\$106</b>	<b>(\$948)</b>	<b>(\$64)</b>	<b>\$195</b>	<b>\$48</b>	<b>\$82</b>	<b>\$261</b>	<b>\$328</b>
Non-Controlling Interests	\$20	\$53	\$28	\$38	\$29	\$26	\$121	\$39	\$34	\$35	\$35	\$142	\$145
<b>GAAP Net Income to IGT</b>	<b>(\$56)</b>	<b>\$211</b>	<b>(\$55)</b>	<b>(\$290)</b>	<b>(\$804)</b>	<b>\$80</b>	<b>(\$1,069)</b>	<b>(\$103)</b>	<b>\$161</b>	<b>\$13</b>	<b>\$47</b>	<b>\$118</b>	<b>\$183</b>
<b>GAAP EPS</b>	<b>(\$0.30)</b>	<b>\$1.04</b>	<b>(\$0.27)</b>	<b>(\$1.43)</b>	<b>(\$3.95)</b>	<b>\$0.39</b>	<b>(\$5.25)</b>	<b>(\$0.51)</b>	<b>\$0.79</b>	<b>\$0.06</b>	<b>\$0.23</b>	<b>\$0.58</b>	<b>\$0.89</b>
Non-Recurring Items													
Restructuring	\$60	\$15	\$6	\$9	\$722	\$6	\$743	\$1	\$3	\$2	\$2	\$8	\$11
Purchase Accounting	\$255	\$318	\$70	\$61	\$58	(\$202)	(\$14)	\$38	\$40	\$36	\$36	\$151	\$145
Foreign Exchange	(\$2)	(\$74)	\$36	\$170	\$91	\$120	\$417	\$94	(\$176)	\$0	\$0	(\$82)	\$0
Transaction Expenses	\$126	\$2	\$1	\$82	\$14	(\$0)	\$97	\$0	\$30			\$30	
Other	\$0	\$0					\$0					\$0	
Total Non-Recurring Items	\$439	\$260	\$113	\$321	\$885	(\$76)	\$1,243	\$134	(\$104)	\$38	\$38	\$106	\$156
<b>Adjusted Net Income</b>	<b>\$383</b>	<b>\$472</b>	<b>\$59</b>	<b>\$31</b>	<b>\$81</b>	<b>\$4</b>	<b>\$175</b>	<b>\$31</b>	<b>\$57</b>	<b>\$51</b>	<b>\$86</b>	<b>\$225</b>	<b>\$338</b>
<b>Recurring EPS</b>	<b>\$1.98</b>	<b>\$2.33</b>	<b>\$0.29</b>	<b>\$0.15</b>	<b>\$0.40</b>	<b>\$0.02</b>	<b>\$0.86</b>	<b>\$0.15</b>	<b>\$0.28</b>	<b>\$0.25</b>	<b>\$0.42</b>	<b>\$1.10</b>	<b>\$1.65</b>
yoy % chg.		17.6%	-49.7%	-64.4%	-10.6%	-97.9%	-63.1%	-47.8%	83.1%	-37.4%	2152.1%	27.9%	50.6%
Basic Shares	192.4	201.5	202.5	202.9	203.5	203.5	203.1	203.6	204.1	204.1	204.1	204.0	204.1
Diluted Shares	193.6	202.2	203.1	203.1	203.7	204.1	203.5	204.2	204.5	204.5	204.5	204.4	204.5

Source: Company reports and Deutsche Bank



Figure 18: Adjusted EBITDA Model (\$ in Millions)

Adjusted EBITDA	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Net Income	(\$69)	\$264	(\$27)	(\$252)	(\$774)	\$106	(\$948)	(\$64)	\$195	\$48	\$82	\$261	\$328
Income Taxes	\$35	\$59	(\$10)	\$84	(\$20)	(\$83)	(\$29)	\$61	\$52	\$20	\$35	\$168	\$141
Non-Operating Expenses	\$567	\$337	\$156	\$360	\$238	\$171	\$926	\$201	(\$38)	\$104	\$105	\$371	\$422
Amortization	\$420	\$492	\$116	\$102	\$100	\$83	\$401	\$68	\$68	\$68	\$68	\$273	\$273
Depreciation	\$397	\$390	\$92	\$94	\$103	\$112	\$401	\$98	\$104	\$107	\$111	\$421	\$421
Amort. of Upfront Customer Payments	\$108	\$116	\$49	\$52	\$54	\$54	\$210	\$57	\$54	\$54	\$54	\$220	\$218
Restructuring	\$77	\$28	\$9	\$11	\$10	\$9	\$40	\$2	\$3	\$3	\$3	\$11	\$15
Stock Compensation	\$42	\$26	\$1	\$2	\$2	(\$0)	\$5	\$14	\$3	\$2	\$2	\$21	\$20
Other	\$126	\$41	(\$16)	(\$30)	\$716	(\$0)	\$670	(\$0)	(\$0)	\$0	(\$0)	(\$0)	\$0
<b>Adjusted EBITDA</b>	<b>\$1,702</b>	<b>\$1,755</b>	<b>\$371</b>	<b>\$424</b>	<b>\$428</b>	<b>\$452</b>	<b>\$1,676</b>	<b>\$436</b>	<b>\$442</b>	<b>\$407</b>	<b>\$461</b>	<b>\$1,746</b>	<b>\$1,837</b>
yoy % chg.		3.1%	-19.2%	-4.4%	-0.3%	7.1%	-4.5%	17.5%	4.3%	-5.1%	2.0%	4.2%	5.2%
EBITDA Margin	33.5%	34.0%	32.2%	34.7%	35.1%	33.6%	33.9%	36.1%	36.7%	34.8%	35.5%	35.8%	37.1%
chg. in bps		59	(364)	27	113	165	(12)	393	200	(31)	192	187	128

Source: Company reports and Deutsche Bank

Figure 19: North American Gaming Product Sales Model (\$ in Millions)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
North American Expansion Units	4,389	5,929	1,157	1,408	729	805	4,099	1,024	1,803	735	560	4,122	3,941
YOY % Change	(3,028)	1,540	255	131	(1,288)	(928)	(1,830)	(133)	395	6	(245)	23	(181)
% chg.	-41%	35%	28%	10%	-64%	-54%	-31%	-11%	28%	1%	-30%	1%	-4%
North American Replacement Units	16,993	13,842	2,787	3,885	2,868	4,490	14,030	2,692	2,747	2,995	4,378	12,813	13,634
YOY % Change	116	(3,151)	(262)	(1)	(353)	804	188	(95)	(1,138)	127	(112)	(1,217)	821
% chg.	1%	-19%	-9%	0%	-11%	22%	1%	-3%	-29%	4%	-2%	-9%	6%
North American Units	21,382	19,771	3,944	5,293	3,597	5,295	18,129	3,716	4,550	3,730	4,938	16,935	17,575
YOY % Change	(2,912)	(1,611)	(7)	130	(1,641)	(124)	(1,642)	(228)	(743)	133	(357)	(1,194)	640
% chg.	-12%	-8%	0%	3%	-31%	-2%	-8%	-6%	-14%	4%	-7%	-7%	4%
North American Average Revenue per Unit	\$12,487	\$12,645	\$12,931	\$13,981	\$13,066	\$13,598	\$13,459	\$13,455	\$13,626	\$13,589	\$13,870	\$13,652	\$14,061
% chg.	-5%	1%	2%	13%	34%	-13%	6%	4%	-3%	4%	2%	1%	3%
North American Unit Sales Revenue	\$267	\$250	\$51	\$74	\$47	\$72	\$244	\$50	\$62	\$51	\$68	\$231	\$247
% chg.	-17%	-6%	2%	16%	-8%	-15%	-2%	-2%	-16%	8%	-5%	-5%	7%
Other North American Product Sales Revenue	\$121	\$150	\$20	\$28	\$44	\$41	\$134	\$39	\$23	\$26	\$37	\$126	\$126
% chg.	-41%	24%	-35%	-30%	76%	-22%	-11%	93%	-18%	-40%	-10%	-6%	0%
North American Product Sales Revenue	\$388	\$400	\$71	\$102	\$91	\$113	\$378	\$89	\$85	\$77	\$106	\$357	\$373
% chg.	-26%	3%	-12%	-2%	20%	-18%	-6%	25%	-17%	-15%	-7%	-5%	4%

Source: Company reports and Deutsche Bank

Figure 20: North American Gaming Services Model (\$ in Millions)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
Double Down DAU	1,879	1,610	1,455										
YOY % Change	2.5%	-14.3%	-21.7%										
Double Down MAU	4,526	3,840	3,525										
YOY % Change	-21.7%	-15.2%	-18.2%										
Mobile Penetration	47.2%		58.0%										
Bookings per DAU	\$0.46	\$0.48	\$0.52										
YOY % Change	5.0%	2.8%	10.6%										
Double Down Revenue	\$317	\$280	\$68	\$43									
YOY % Change	7.5%	-11.7%	-15.3%	-40.6%									
North American Casino Install Base (EOP)	25,418	24,472	23,701	23,649	22,924	22,807	22,807	23,183	23,351	23,501	23,651	23,651	23,901
YOY % Change	(2,309)	(946)	(1,257)	(522)	(1,239)	(1,665)	(1,665)	(518)	(298)	577	844	844	250
Sequential Change	(2,309)	(946)	(771)	(52)	(725)	(117)	(1,665)	376	168	150	150	844	250
YOY % Change	-8.3%	-3.7%	-5.0%	-2.2%	-5.1%	-6.8%	-6.8%	-2.2%	-1.3%	2.5%	3.7%	3.7%	1.1%
North American Casino Install Base (Average)	25,802	24,559	24,087	23,675	23,287	22,866	23,478	22,995	23,267	23,426	23,576	23,316	23,776
YOY % Change	(3,072)	(1,243)	(1,102)	(890)	(881)	(1,452)	(1,081)	(1,092)	(408)	140	711	(162)	460
Sequential Change	(3,072)	(1,243)	(231)	(412)	(389)	(421)	(1,081)	130	272	159	150	(162)	460
YOY % Change	-10.6%	-4.8%	-4.4%	-3.6%	-3.6%	-6.0%	-4.4%	-4.5%	-1.7%	0.6%	3.1%	-0.7%	2.0%
Implied North American Gaming Ops Yields	\$60.84	\$58.41	\$58.12	\$56.63	\$57.41	\$55.86	\$57.00	\$50.74	\$51.01	\$51.42	\$49.21	\$50.59	\$51.60
Headline % chg.	-5.1%	-4.0%	-0.6%	-4.1%	-4.0%	-0.8%	-2.4%	-12.7%	-9.9%	-10.4%	-11.9%	-11.2%	2.0%
YOY % Change adj. for Jackpot Expense Acctg.	-5.1%	-4.0%	-0.6%	-4.1%	-4.0%	-0.8%	-2.4%	-0.9%	2.7%	2.0%	1.0%	1.2%	2.0%
Implied North American Gaming Ops Revenue	\$573	\$525	\$126	\$122	\$123	\$118	\$489	\$105	\$108	\$111	\$107	\$431	\$448
YOY % Change	-15.2%	-8.4%	-6.0%	-7.6%	-7.5%	-6.7%	-7.0%	-16.7%	-11.5%	-9.9%	-9.2%	-11.9%	4.0%
Other North American Gaming Services Revenue	\$134	\$170	\$40	\$43	\$48	\$50	\$181	\$49	\$61	\$47	\$48	\$205	\$209
% chg.	21%	26%	-9%	3%	14%	17%	6%	23%	42%	-3%	-3%	13%	2%
North American Gaming Services Revenue	\$1,024	\$975	\$234	\$208	\$171	\$167	\$780	\$154	\$169	\$157	\$155	\$636	\$657
YOY % Change	-5.3%	-4.8%	-9.3%	-15.4%	-29.0%	-27.3%	-20.0%	-34.1%	-18.8%	-8.0%	-7.3%	-18.5%	3.4%

Source: Company reports and Deutsche Bank



Figure 21: North American Lottery Model (\$ in Millions)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
North American VLT Install Base (EOP)	15,241	14,878	15,009	15,267	15,225	15,294	15,294	15,101	15,176	15,201	15,226	15,226	15,276
YOY Change	(1,033)	(363)	(322)	(88)	(97)	416	416	92	(91)	(24)	(68)	(68)	50
Sequential Change	(1,033)	(363)	131	258	(42)	69	416	(193)	75	25	25	(68)	50
YOY % Change	-6.3%	-2.4%	-2.1%	-0.6%	-0.6%	2.8%	2.8%	0.6%	-0.6%	-0.2%	-0.4%	-0.4%	0.3%
North American VLT Install Base (Average)	15,995	15,267	14,944	15,138	15,246	15,260	15,147	15,198	15,139	15,189	15,214	15,185	15,251
YOY Change	(436)	(728)	(343)	(205)	(93)	160	(120)	254	1	(58)	(46)	38	67
Sequential Change	(436)	(728)	(157)	195	108	14	(120)	(62)	(59)	50	25	38	67
YOY % Change	-2.7%	-4.6%	-2.2%	-1.3%	-0.6%	1.1%	-0.8%	1.7%	0.0%	-0.4%	-0.3%	0.2%	0.4%
Implied North American Gaming Ops Yields	\$17.61	\$17.90	\$18.59	\$18.15	\$17.82	\$17.10	\$17.91	\$18.28	\$18.15	\$17.82	\$17.27	\$17.88	\$18.05
YOY % Change	-2.2%	1.6%	3.4%	-2.5%	0.6%	-1.0%	0.1%	-1.7%	0.0%	0.0%	1.0%	-0.2%	1.0%
North American VLT Revenue	\$103	\$100	\$25	\$25	\$25	\$24	\$99	\$25	\$25	\$25	\$24	\$99	\$101
YOY % Change	-4.8%	-2.7%	0.0%	-3.8%	0.0%	0.0%	-1.0%	0.0%	0.0%	-0.4%	0.7%	0.1%	1.4%
Other Gaming Services Revenue	\$45	\$46	\$11	\$11	\$14	\$13	\$50	\$13	\$13	\$14	\$13	\$53	\$55
	18.4%	2.2%	-0.9%	-0.9%	16.7%	18.2%	8.3%	14.0%	14.0%	0.0%	0.0%	6.4%	3.0%
Same Store Instant & Draw Games	7.5%	3.9%	1.5%	5.6%	6.3%	7.1%	5.1%	5.4%	5.3%				
Multistate Jackpots	1.0%	43.2%	-59.5%	-18.2%	26.4%	17.7%	-21.0%	51.6%	-4.8%				
Aggregate Same-Store Lottery	6.7%	9.5%	-14.0%	2.2%	9.4%	8.3%	0.6%	11.0%	4.2%				
North American Lottery Services Revenue	\$864	\$982	\$232	\$242	\$238	\$233	\$944	\$241	\$237	\$230	\$225	\$933	\$951
Headline % chg.	8%	14%	-13%	5%	-6%	0%	-4%	4%	-2%	-3%	-3%	-1%	2%
Modeled % chg. adj. for IL Cost Extraction	8%	14%	-13%	5%	-6%	0%	-4%	10%	3%	2%	2%	4%	2%
Aggregate North American Lottery Services Revenue	\$1,012	\$1,128	\$268	\$278	\$277	\$270	\$1,093	\$279	\$275	\$269	\$262	\$1,085	\$1,106
YOY % Change	7.0%	11.4%	-11.8%	4.1%	-4.3%	1.1%	-3.1%	4.1%	-1.2%	-2.9%	-2.9%	-0.8%	2.0%
North American Lottery Sales Revenue	\$53	\$65	\$13	\$15	\$30	\$34	\$92	\$16	\$34	\$23	\$27	\$100	\$90
YOY % Change	-28.4%	21.7%	21.8%	-21.1%	71.4%	100.0%	43.3%	19.4%	126.7%	-25.0%	-20.0%	7.9%	-10.0%

Source: Company reports and Deutsche Bank

Figure 22: International Services Model (\$ in Millions)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
International Casino Install Base (EOP)	9,150	10,181	10,663	11,204	13,022	12,818	12,818	12,917	13,034	13,184	13,334	13,334	14,084
YOY Change	(660)	1,031	1,407	1,976	3,026	2,637	2,637	2,254	1,830	162	516	516	750
Sequential Change	(660)	1,031	482	541	1,818	(204)	2,637	99	117	150	150	516	750
YOY % Change	-6.7%	11.3%	15.2%	21.4%	30.3%	25.9%	25.9%	21.1%	16.3%	1.2%	4.0%	4.0%	5.6%
International Casino Install Base (Average)	9,673	9,536	10,422	10,934	12,113	12,920	11,597	12,868	12,976	13,109	13,259	13,053	13,709
YOY Change	(2,567)	(137)	1,219	1,692	2,501	2,832	2,061	2,446	2,042	996	339	1,456	656
Sequential Change	(2,567)	(137)	334	512	1,180	807	2,061	(53)	108	134	150	1,456	656
YOY % Change	-21.0%	-1.4%	13.2%	18.3%	26.0%	28.1%	21.6%	23.5%	18.7%	8.2%	2.6%	12.6%	5.0%
International VLT Install Base (EOP)	250	272	618	925	1,569	2,725	2,725	2,937	3,306	3,906	5,206	5,206	5,206
YOY Change	0	22	368	675	1,297	2,453	2,453	2,319	2,381	2,337	2,481	2,481	0
Sequential Change	0	22	346	307	644	1,156	2,453	212	369	600	1,300	2,481	0
YOY % Change	0.0%	8.8%	147.2%	270.0%	476.8%	901.8%	901.8%	375.2%	257.4%	148.9%	91.0%	91.0%	0.0%
International VLT Install Base (Average)	250	258	445	772	1,247	2,147	1,153	2,831	3,122	3,606	4,556	3,529	5,206
YOY Change	0	8	195	522	986	1,875	894	2,386	2,350	2,359	2,409	2,376	1,677
Sequential Change	0	8	173	327	476	900	894	684	291	485	950	2,376	1,677
YOY % Change	0.0%	3.3%	78.0%	208.6%	377.8%	689.3%	346.3%	536.2%	304.6%	189.2%	112.2%	206.1%	47.5%
Aggregate Install Base (EOP)	9,400	10,453	11,281	12,129	14,591	15,543	15,543	15,854	16,340	17,090	18,540	18,540	18,540
YOY Change	(660)	1,053	1,775	2,651	4,323	5,090	5,090	4,573	4,211	2,499	2,997	2,997	0
Sequential Change	(660)	1,053	828	848	2,462	952	5,090	311	486	750	1,450	2,997	0
YOY % Change	-6.6%	11.2%	18.7%	28.0%	42.1%	48.7%	48.7%	40.5%	34.7%	17.1%	19.3%	19.3%	0.0%
Aggregate Install Base (Average)	9,923	9,795	10,867	11,705	13,360	15,067	12,750	15,699	16,097	16,715	17,815	16,581	18,540
YOY Change	(2,567)	(128)	1,414	2,213	3,487	4,707	2,955	4,832	4,392	3,355	2,748	3,832	1,959
Sequential Change	(2,567)	(128)	507	838	1,655	1,707	2,955	632	399	618	1,100	3,832	1,959
YOY % Change	-20.5%	-1.3%	15.0%	23.3%	35.3%	45.4%	30.2%	44.5%	37.5%	25.1%	18.2%	30.1%	11.8%
International Gaming Ops Yields	\$16.57	\$14.23	\$12.27	\$12.20	\$11.39	\$9.38	\$11.17	\$9.77	\$8.87	\$9.11	\$8.91	\$9.16	\$9.43
YOY % Change	-13.2%	-14.1%	-18.8%	-18.9%	-20.4%	-25.5%	-21.5%	-20.4%	-27.3%	-20.0%	-5.0%	-18.1%	3.0%
International Terminal Services Revenue	\$60	\$51	\$12	\$13	\$14	\$13	\$52	\$14	\$13	\$14	\$15	\$55	\$64
YOY % Change	-31.0%	-15.0%	-7.7%	0.0%	7.7%	8.3%	2.0%	15.0%	0.0%	0.1%	12.3%	6.6%	15.2%
Same Store Instant & Draw Games	4.7%	3.7%	3.2%	2.8%	-1.8%	-1.2%	0.8%	4.0%	3.0%				
Multistate Jackpots	-0.3%	-3.0%	-13.1%	16.8%	5.8%	0.6%	1.9%	6.0%	-20.4%				
Aggregate Same-Store Lottery	4.1%	3.2%	2.0%	3.6%	-1.4%	-1.1%	0.9%	4.1%	1.4%	5.0%	5.0%	3.9%	2.5%
International Lottery Services Revenue	\$279	\$263	\$66	\$72	\$70	\$80	\$288	\$72	\$70	\$74	\$84	\$300	\$307
% chg.		-5.7%	0.0%	2.9%	-1.4%	42.9%	9.5%	4.1%	1.4%	5.0%	5.0%	4.0%	2.5%
Other International Services Revenue	\$210	\$199	\$45	\$47	\$63	\$62	\$217	\$44	\$40	\$47	\$47	\$178	\$189
% chg.		-5.2%	-13.5%	-7.8%	31.3%	29.2%	9.0%	-1.8%	-14.9%	-25.0%	-25.0%	-18.0%	6.0%
International Service Revenue	\$549	\$513	\$123	\$132	\$147	\$155	\$557	\$130	\$123	\$135	\$145	\$533	\$559
YOY % Change	-14.2%	-6.6%	-6.1%	-1.5%	11.4%	33.6%	8.6%	5.7%	-6.8%	-8.3%	-6.4%	-4.3%	5.0%

Source: Company reports and Deutsche Bank





Figure 23: International Sales Model (\$ in Millions)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
International Expansion Units	2,432	1,993	595	441	176	544	1,756	91	732	300	450	1,573	950
YOY Change	(111)	(439)	410	271	(122)	(796)	(237)	(504)	291	124	(94)	(183)	(623)
% chg.	0%	-18%	222%	159%	-41%	-59%	-12%	-85%	66%	70%	-17%	-10%	-40%
International Replacement Units	11,345	11,383	1,414	3,150	2,633	5,021	12,218	2,021	2,388	2,500	6,500	13,409	15,500
YOY Change	(3,387)	38	(145)	331	(811)	1,460	835	607	(762)	(133)	1,479	1,191	2,091
% chg.	-23%	0%	-9%	12%	-24%	41%	7%	43%	-24%	-5%	29%	10%	16%
International Units	13,777	13,376	2,009	3,591	2,809	5,565	13,974	2,112	3,120	2,800	6,950	14,982	16,450
YOY Change	(3,398)	(401)	265	602	(933)	664	598	103	(471)	(9)	1,385	1,008	1,468
% chg.	-20%	-3%	15%	20%	-25%	14%	4%	5%	-13%	0%	25%	7%	10%
International Average Revenue per Unit	\$15,533	\$14,952	\$12,942	\$16,151	\$16,020	\$13,118	\$14,455	\$14,205	\$16,667	\$16,650	\$12,410	\$14,342	\$13,906
% chg.	15%	-4%	-22%	15%	5%	-11%	-3%	10%	3%	4%	-5%	-1%	-3%
International Unit Sales Revenue	\$214	\$200	\$26	\$58	\$45	\$73	\$202	\$30	\$52	\$47	\$86	\$215	\$229
% chg.	-7%	-7%	-10%	38%	-21%	1%	1%	15%	-10%	4%	18%	6%	6%
Other International Product Sales Revenue	\$159	\$114	\$15	\$21	\$42	\$52	\$130	\$24	\$24	\$36	\$44	\$128	\$130
% chg.	-8%	-28%	-40%	-32%	62%	63%	14%	60%	14%	-15%	-15%	-2%	2%
International Product Sales Revenue	\$373	\$314	\$41	\$79	\$87	\$125	\$332	\$54	\$76	\$82	\$130	\$343	\$359
% chg.	-7%	-16%	-24%	8%	5%	20%	6%	32%	-4%	-5%	4%	3%	5%

Source: Company reports and Deutsche Bank



Figure 24: Italy Model (\$ in Millions)

\$ in MM	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Days in Period	365	366	90	91	92	92	365	90	91	92	92	365	365
Italy B2B Install Base	8,291	8,840	9,043	8,819	8,752	8,592	8,592	8,425	8,251	8,251	8,251	8,251	8,251
YOY % Change	(101)	549	773	660	288	(248)	(248)	(618)	(568)	(501)	(341)	(341)	0
Sequential Change	(101)	549	203	(224)	(67)	(160)	(248)	(167)	(174)	0	0	(341)	0
YOY % Change	-1.2%	6.6%	9.3%	8.1%	3.4%	-2.8%	-2.8%	-6.8%	-6.4%	-5.7%	-4.0%	-4.0%	0.0%
Italy B2B Install Base (Average)	8,443	8,365	8,942	8,931	8,786	8,672	8,833	8,509	8,338	8,251	8,251	8,337	8,251
YOY % Change	198	(79)	661	717	474	20	468	(433)	(593)	(535)	(421)	(495)	(86)
Sequential Change	198	(79)	290	(11)	(146)	(114)	468	(164)	(171)	(87)	0	(495)	(86)
YOY % Change	2.4%	-0.9%	8.0%	8.7%	5.7%	0.2%	5.6%	-4.8%	-6.6%	-6.1%	-4.9%	-5.6%	-1.0%
Italy B2C Install Base	11,115	11,036	10,961	10,907	10,958	10,985	10,985	10,931	10,991	10,991	10,991	10,991	10,991
YOY % Change	159	(79)	(159)	(88)	28	(51)	(51)	(30)	84	33	6	6	0
Sequential Change	159	(79)	(75)	(54)	51	27	(51)	(54)	60	0	0	6	0
YOY % Change	1.5%	-0.7%	-1.4%	-0.8%	0.3%	-0.5%	-0.5%	-0.3%	0.8%	0.3%	0.1%	0.1%	0.0%
Italy B2C Install Base (Average)	10,979	11,030	10,999	10,934	10,933	10,972	10,959	10,958	10,961	10,991	10,991	10,975	10,991
YOY % Change	168	51	(119)	(124)	(30)	(12)	(71)	(41)	27	59	20	16	16
Sequential Change	168	51	16	(65)	(2)	39	(71)	(14)	3	30	0	16	16
YOY % Change	1.6%	0.5%	-1.1%	-1.1%	-0.3%	-0.1%	-0.6%	-0.4%	0.2%	0.5%	0.2%	0.1%	0.1%
Italy AWP Install Base	58,328	58,937	58,746	59,070	59,084	56,590	56,590	51,315	43,657	42,657	41,657	41,657	40,657
YOY % Change	(6,988)	609	2,755	2,770	1,015	(2,347)	(2,347)	(7,431)	(15,413)	(16,427)	(14,933)	(14,933)	(1,000)
Sequential Change	(6,988)	609	(191)	324	14	(2,494)	(2,347)	(5,275)	(7,658)	(1,000)	(1,000)	(14,933)	(1,000)
YOY % Change	-10.7%	1.0%	4.9%	4.9%	1.7%	-4.0%	-4.0%	-12.6%	-26.1%	-27.8%	-26.4%	-26.4%	-2.4%
Italy AWP Install Base (Average)	62,020	57,248	58,842	58,908	59,077	57,837	58,666	53,953	47,486	43,157	42,157	46,688	41,157
YOY % Change	(6,658)	(4,772)	1,682	2,763	1,893	(666)	(666)	(4,889)	(11,422)	(15,920)	(15,680)	(11,978)	(5,531)
Sequential Change	(6,658)	(4,772)	339	67	169	(1,240)	(666)	(3,885)	(6,467)	(4,329)	(1,000)	(11,978)	(5,531)
YOY % Change	-9.7%	-7.7%	2.9%	4.9%	3.3%	-1.1%	2.5%	-8.3%	-19.4%	-26.9%	-27.1%	-20.4%	-11.8%
Aggregate Install Base (EOP)	77,734	78,813	78,750	78,796	78,794	76,167	76,167	70,671	62,899	61,899	60,899	60,899	59,899
YOY % Change	(6,930)	1,079	3,369	3,342	1,331	(2,646)	(2,646)	(8,079)	(13,897)	(16,805)	(15,268)	(15,268)	(1,000)
Sequential Change	(6,930)	1,079	(63)	46	(2)	(2,646)	(2,646)	(5,496)	(7,772)	(1,000)	(1,000)	(15,268)	(1,000)
YOY % Change	-8.2%	1.4%	4.5%	4.4%	1.7%	-3.4%	-3.4%	-10.3%	-20.2%	-21.4%	-20.0%	-20.0%	-1.6%
Aggregate Install Base (Average)	81,443	76,643	78,782	78,773	78,795	77,481	78,458	73,419	66,785	62,399	61,399	66,001	60,399
YOY % Change	(6,291)	(4,800)	2,224	3,356	2,337	(658)	1,815	(5,363)	(11,988)	(16,396)	(16,082)	(12,457)	(5,602)
Sequential Change	(6,291)	(4,800)	644	(9)	22	(1,315)	1,815	(4,062)	(6,634)	(4,386)	(1,000)	(12,457)	(5,602)
YOY % Change	-7.2%	-5.9%	2.9%	4.4%	3.1%	-0.8%	2.4%	-6.8%	-15.2%	-20.8%	-20.8%	-15.9%	-8.5%
Implied Italy Revenue per Device in USD	\$20.51	\$21.60	\$22.57	\$20.93	\$21.66	\$24.69	\$22.45	\$26.03	\$26.33	\$27.24	\$30.28	\$27.37	\$28.36
YOY % Change	-10.4%	5.3%	9.9%	-4.3%	0.9%	9.6%	3.9%	15.4%	25.8%	25.8%	22.6%	21.9%	3.6%
Implied Italy Revenue per Device in Euros	€ 17.87	€ 20.18	€ 21.25	€ 18.94	€ 18.65	€ 20.73	€ 19.92	€ 21.40	€ 21.95	€ 23.31	€ 25.91	€ 23.12	€ 24.27
YOY % Change	1.0%	13.0%	15.2%	-2.7%	-2.8%	0.2%	-1.3%	0.7%	15.9%	25.0%	25.0%	16.1%	5.0%
Italy Terminal Services Revenue Constant (in Euros)	€ 548	€ 541	€ 144	€ 137	€ 130	€ 146	€ 557	€ 133	€ 138	€ 134	€ 146	€ 552	€ 535
YOY % Change	-0.9%	-1.3%	16.7%	0.7%	-1.9%	-2.1%	2.9%	-7.0%	1.0%	2.9%	0.2%	-0.8%	-3.1%
Italy Terminal Services Revenue	\$610	\$606	\$160	\$150	\$157	\$176	\$643	\$172	\$160	\$156	\$171	\$659	\$625
YOY % Change	-16.8%	-0.6%	11.9%	0.0%	4.0%	8.6%	6.1%	7.5%	6.7%	-0.4%	-2.8%	2.5%	-5.2%
Interactive Reported Wagers (Euros)	€ 1,672	€ 1,658	€ 468	€ 413	€ 404	€ 461	€ 1,746	€ 493	€ 459	€ 428	€ 479	€ 1,360	€ 1,934
YOY % Change	-6.5%	-0.8%	10.4%	3.8%	2.8%	4.1%	5.3%	5.3%	11.1%	6.0%	4.0%	6.5%	4.0%
Interactive Wagers in USD	\$1,863	\$1,841	\$497	\$456	\$469	\$549	\$1,972	\$600	\$550	\$500	\$560	\$2,211	\$2,260
YOY % Change	-21.5%	-1.2%	5.3%	2.1%	6.7%	13.8%	7.1%	20.6%	20.6%	6.6%	2.0%	12.1%	2.2%
IGT Commission Rate	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Implied Interactive Revenue (Euros)	€ 65	€ 65	€ 18	€ 16	€ 16	€ 18	€ 68	€ 19	€ 18	€ 17	€ 19	€ 73	€ 75
YOY % Change	-6.5%	-0.8%	10.4%	3.8%	2.8%	4.1%	5.3%	5.3%	11.1%	6.0%	4.0%	6.5%	4.0%
Implied Interactive Services Revenue (USD)	\$73	\$72	\$19	\$18	\$18	\$21	\$77	\$23	\$21	\$20	\$22	\$86	\$88
YOY % Change	-21.5%	-1.2%	5.3%	2.1%	6.7%	13.8%	7.1%	20.6%	20.6%	6.6%	2.0%	12.1%	2.2%
10eLotto Wagers (Euros)	€ 4,286	€ 4,717	€ 1,243	€ 1,269	€ 1,261	€ 1,386	€ 5,159	€ 1,451	€ 1,422	€ 1,387	€ 1,469	€ 5,729	€ 9,338
YOY % Change	18.4%	10.1%	4.2%	6.5%	15.3%	11.9%	9.4%	16.7%	12.1%	10.0%	6.0%	11.1%	4.0%
Core Wagers (Euros)	€ 2,449	€ 2,228	€ 325	€ 484	€ 494	€ 508	€ 2,011	€ 504	€ 471	€ 484	€ 498	€ 1,957	€ 1,937
YOY % Change	-4.0%	-9.0%	-6.1%	-10.5%	-10.2%	-12.0%	-9.7%	-4.0%	-2.8%	-2.0%	-2.0%	-2.7%	0.0%
Late Numbers Wagers (Euros)	€ 342	€ 1,150	€ 106	€ 88	€ 60	€ 57	€ 311	€ 45	€ 33	€ 36	€ 46	€ 160	€ 163
YOY % Change	-25.5%	236.1%	-39.8%	-72.7%	-81.5%	-82.5%	-72.9%	-57.5%	-62.7%	-40.0%	-20.0%	-48.7%	2.0%
MillionDay (Euros)								€ 34	€ 54	€ 60	€ 60	€ 208	€ 250
YOY % Change													20.0%
Aggregate Lotto Wagers (Euros)	€ 7,077	€ 8,094	€ 1,874	€ 1,842	€ 1,815	€ 1,951	€ 7,482	€ 2,034	€ 1,980	€ 1,967	€ 2,073	€ 8,054	€ 8,328
YOY % Change	6.8%	14.4%	-2.8%	-10.4%	-7.8%	-8.9%	-7.0%	8.5%	7.5%	8.4%	6.2%	7.6%	3.4%
Aggregate Lotto Wagers (USD)	\$7,881	\$8,988	\$1,990	\$2,035	\$2,108	\$2,324	\$8,457	\$2,474	\$2,374	\$2,298	\$2,422	\$9,568	\$9,730
YOY % Change	-10.1%	14.1%	-7.2%	-11.8%	-4.2%	-0.4%	-5.9%	24.3%	16.7%	9.0%	4.2%	13.1%	1.7%
IGT Commission Rate	6.3%	6.2%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Implied Lotto Revenue (Euros)	€ 446	€ 503	€ 112	€ 111	€ 109	€ 117	€ 449	€ 122	€ 119	€ 118	€ 124	€ 483	€ 500
YOY % Change	6.8%	12.9%	-7.4%	-14.7%	-12.2%	-8.9%	-10.8%	8.5%	7.3%	8.4%	6.2%	7.6%	3.4%
Implied Lotto Services Revenue (USD)	\$496	\$559	\$119	\$122	\$126	\$139	\$507	\$148	\$142	\$138	\$145	\$574	\$584
YOY % Change	-10.1%	12.6%	-11.7%	-16.0%	-8.8%	-0.4%	-9.3%	24.3%	16.7%	9.0%	4.2%	13.1%	1.7%
S&W Reported Wagers (Euros)	€ 9,016	€ 8,935	€ 2,341	€ 2,183	€ 2,198	€ 2,344	€ 9,066	€ 2,408	€ 2,237	€ 2,165	€ 2,356	€ 9,165	€ 9,303
YOY % Change	-4.1%	-0.9%	-0.6%	-0.8%	5.1%	2.4%	1.5%	2.9%	2.4%	-1.5%	0.5%	1.1%	1.5%
S&W Wagers in USD	\$10,039	\$9,923	\$2,486	\$2,413	\$2,553	\$2,792	\$10,244	\$2,928	\$2,682	\$2,530	\$2,752	\$10,893	\$10,869
YOY % Change	-19.5%	-1.2%	-5.1%	-2.3%	9.1%	12.0%	3.2%	17.8%	11.2%	-0.9%	-1.4%	6.3%	-0.2%
IGT Commission Rate	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Implied S&W Revenue (Euros)	€ 352	€ 348	€ 91	€ 85	€ 86	€ 91	€ 354	€ 94	€ 87	€ 84	€ 92	€ 357	€ 363
YOY % Change	-4.1%	-0.9%	-0.6%	-0.8%	5.1%	2.4%	1.5%	2.9%	2.4%	-1.5%	0.5%	1.1%	1.5%
Implied Scratch & Win Services Revenue (USD)	\$392	\$387	\$97	\$94	\$100	\$109	\$400	\$114	\$105	\$99	\$107	\$425	\$424
YOY % Change	-19.5%	-1.2%	-5.1%	-2.3%	9.1%	12.0%	3.2%	17.8%	11.2%	-0.9%	-1.4%	6.3%	-0.2%
Sports Betting Wagers (Euros)	€ 865	€ 855	€ 257	€ 226	€ 204	€ 271	€ 958	€ 246	€ 244	€ 210	€ 279	€ 980	€ 999
YOY % Change	-3.0%	-1.2%	16.3%	9.5%	14.6%	8.4%	12.0%	-4.3%	8.4%	3.0%	3.0%	2.3%	2.0%
Sports Betting Wagers in USD	\$964	\$949	\$273	\$249	\$237	\$323	\$1,082	\$299	\$293	\$246	\$326	\$1,164	\$1,168
YOY % Change	-18.4%	-1.6%	11.0%	7.7%	19.0%	18.5%	14.0%	9.6%	17.6%	3.6%	1.0%	7.6%	0.3%
Sports Hold Percentage	16.3%	16.0%	10.6%	17.7%	16.7%	23.8%	17.5%	18.8%	17.1%	17.5%	17.5%	17.7%	17.5%
Implied Sports Betting Revenue (Euros)	€ 141	€ 137	€ 27	€ 40	€ 34	€ 64	€ 166	€ 46	€ 42	€ 37	€ 49	€ 174	€ 175
YOY % Change	-20.3%	-2.7%	-35.5%	43.5%	6.9%	83.0%	20.8%	69.8%	4.7%	7.9%	-24.3%	4.8%	0.7%
Implied Sports Betting Services Revenue (USD)	\$157	\$152	\$29	\$44	\$40	\$77	\$189	\$56	\$50	\$43	\$57	\$206	\$204
YOY % Change	-33.5%	-3.1%	-38.4%	41.3%	11.0%	100.1%	24.4%	94.4%	13.6%	8.6%	-25.7%	9.0%	-1.0%
Other Italy Revenue / Amortization	(\$25)	(\$14)	(\$23)	(\$24)	(\$23)	(\$42)	(\$111)	(\$31)	(\$38)	(\$30)	(\$30)	(\$129)	(\$120)
% chg.	-606%	-42%	1178%	-1029%	198%	457%	678%	38%	56%	31%	-28%	16%	-7%
Italy Services Revenue	\$1,703	\$1,762	\$402	\$404	\$418	\$481	\$1,705	\$483	\$441	\$425	\$473	\$1,822	\$1,805
% chg.	-19%	3%	-9%	-9%	-2%	7%	-3%	20%	9%	2%	-2%	7%	-1%
Italy Product Sales Revenue	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% chg.	-50%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Source: Company reports and Deutsche Bank



Figure 25: Balance Sheet and Free Cash Flow (\$ in Millions Except Per Share Data)

Free Cash Flow Model	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Adjusted EBITDA	\$1,702.2	\$1,754.5	\$371.2	\$423.7	\$428.5	\$452.2	\$1,675.6	\$436.2	\$441.8	\$406.8	\$461.5	\$1,746.2	\$1,837.3
Less Capital Expenditures	\$402.6	\$557.2	\$172.1	\$198.5	\$181.6	\$145.8	\$698.0	\$134.7	\$124.3	\$175.0	\$165.0	\$599.0	\$600.0
Less Cash Taxes	\$199.2	\$183.3	\$7.9	\$13.6	\$138.1	\$136.8	\$296.4	\$13.7	(\$27.0)	\$122.03	\$138.45	\$247.2	\$260.0
Less Cash Interest	\$365.5	\$450.7	\$210.9	\$34.8	\$151.8	\$19.6	\$417.1	\$227.4	\$35.5	\$141.1	\$18.3	\$422.3	\$423.5
<b>Gross Free Cash Flow</b>	<b>\$734.9</b>	<b>\$563.3</b>	<b>(\$19.8)</b>	<b>\$176.8</b>	<b>(\$43.0)</b>	<b>\$150.1</b>	<b>\$264.1</b>	<b>\$60.4</b>	<b>\$309.0</b>	<b>(\$31.4)</b>	<b>\$139.7</b>	<b>\$477.8</b>	<b>\$553.7</b>
Gross FCF / Share	\$3.80	\$2.79					\$1.30					\$2.34	\$2.71
Gross FCF Yield	14.8%	10.9%					5.1%					9.1%	10.6%
Less Acquisitions	\$0.0	\$0.0					\$0.0					\$0.0	
Less Dividends	\$209.6	\$161.2	\$0.0	\$81.2	\$40.7	\$40.7	\$162.5	\$0.0	\$81.6	\$40.8	\$40.8	\$163.2	\$163.3
Less Share Repurchases	\$0.0	\$0.0					\$0.0					\$0.0	
Plus Divestitures	\$230.6	\$185.8	\$160.9	\$825.5	\$5.6	(\$0.7)	\$991.2					\$0.0	
Other	\$0.0	(\$373.0)	\$45.1	(\$554.6)	(\$251.0)	(\$81.6)	(\$842.1)	(\$222.8)	(\$271.3)		(\$339.8)	(\$833.9)	
<b>Net Free Cash Flow</b>	<b>\$755.9</b>	<b>\$215.0</b>	<b>\$186.3</b>	<b>\$366.6</b>	<b>(\$329.2)</b>	<b>\$27.1</b>	<b>\$250.7</b>	<b>(\$162.4)</b>	<b>(\$43.9)</b>	<b>(\$72.2)</b>	<b>(\$240.9)</b>	<b>(\$519.4)</b>	<b>\$390.4</b>
Balance Sheet Model	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Cash & Cash Equivalents	\$796.6	\$541.3	\$726.0	\$724.5	\$536.8	\$1,305.4	\$1,305.4	\$816.3	\$821.0	\$821.0	\$821.0	\$821.0	\$821.0
Gross Debt	\$8,334.2	\$7,863.2	\$7,861.6	\$7,493.5	\$7,635.0	\$8,376.6	\$8,376.6	\$8,049.8	\$8,098.4	\$8,170.6	\$8,411.5	\$8,411.5	\$8,021.1
Net Debt	\$7,537.6	\$7,321.8	\$7,135.6	\$6,769.0	\$7,098.2	\$7,071.1	\$7,071.1	\$7,233.5	\$7,277.4	\$7,349.6	\$7,590.5	\$7,590.5	\$7,200.1
chg. in Net Debt		(\$215.7)	(\$186.3)	(\$366.6)	\$329.2	(\$27.1)	(\$250.7)	\$162.4	\$43.9	\$72.2	\$240.9	\$519.4	(\$390.4)
Equity	\$3,366.1	\$3,648.8	\$3,603.2	\$3,436.0	\$2,645.7	\$2,711.8	\$2,711.8	\$2,696.5	\$2,716.3	\$2,668.4	\$2,722.7	\$2,722.7	\$2,742.3
TTM EBITDA	\$1,702.2	\$1,754.5	\$1,666.3	\$1,646.9	\$1,645.5	\$1,675.6	\$1,675.6	\$1,740.6	\$1,758.6	\$1,736.9	\$1,746.2	\$1,746.2	\$1,837.3
Gross Debt / EBITDA	4.9x	4.5x	4.7x	4.6x	4.6x	5.0x	5.0x	4.6x	4.6x	4.7x	4.8x	4.8x	4.4x
Net Debt / EBITDA	4.4x	4.2x	4.3x	4.1x	4.3x	4.2x	4.2x	4.2x	4.1x	4.2x	4.3x	4.3x	3.9x
Debt/Total Cap.	71.2%	68.3%	68.6%	68.6%	74.3%	75.5%	75.5%	74.9%	74.9%	75.4%	75.5%	75.5%	74.5%
Debt Profile	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Revolving Credit Facility due 2021	\$884.7	\$516.6	\$464.1	\$217.7	\$230.7	\$76.9	\$76.9	\$240.4	\$376.1	\$595.2	\$836.2	\$836.2	\$836.2
Average Outstanding Balance	\$700.6	\$490.3	\$340.9	\$224.2	\$153.8	\$296.7	\$158.6	\$308.2	\$485.7	\$715.7	\$456.5	\$836.2	\$836.2
Interest Rate	2.20%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%
Interest Expense	\$19.5	\$16.1	\$3.0	\$2.1	\$1.4	\$0.9	\$7.3	\$1.0	\$1.9	\$2.9	\$4.3	\$10.1	\$20.2
Term Loan Facilities due 2023					\$935.2	\$1,785.4	\$1,785.4	\$1,834.9	\$1,736.8	\$1,736.8	\$1,736.8	\$1,736.8	\$1,346.4
Average Outstanding Balance					\$935.2	\$1,360.3	\$1,785.4	\$1,810.1	\$1,785.8	\$1,736.8	\$1,736.8	\$1,761.1	\$1,541.6
Interest Rate					2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest Expense					\$4.7	\$6.8	\$11.5	\$9.1	\$8.9	\$8.7	\$8.7	\$35.3	\$30.8
Term Loan Facilities due 2019	\$866.8	\$839.6	\$852.0	\$909.9	\$0.0								
Average Outstanding Balance	\$853.2	\$845.8	\$881.0	\$455.0									
Interest Rate	1.90%	1.90%	1.90%	1.90%									
Interest Expense	\$16.5	\$16.8	\$4.0	\$4.2	\$2.2								
6.625% Senior Secured Notes due 2018	\$533.9	\$521.6	\$530.2	\$567.3	\$588.3	\$599.1	\$599.1						
Interest Rate	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%						
Interest Expense	\$35.4	\$36.1	\$8.8	\$9.4	\$9.7	\$9.9	\$37.8						
7.5% Senior Secured Notes due 2019	\$530.0	\$521.9	\$519.8	\$149.4	\$148.9	\$148.2	\$148.2	\$147.6	\$146.9				
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%				
Interest Expense	\$39.8	\$39.4	\$9.7	\$2.8	\$2.8	\$2.8	\$18.1	\$2.8	\$2.8			\$5.5	
4.125% Senior Secured Notes due 2020	\$752.2	\$730.5	\$741.4	\$792.0	\$820.0	\$833.7	\$833.7	\$857.1	\$507.4	\$507.4	\$507.4	\$507.4	\$507.4
Interest Rate	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%
Interest Expense	\$31.0	\$31.5	\$7.6	\$8.2	\$8.5	\$8.6	\$32.9	\$8.8	\$5.2	\$5.2	\$5.2	\$24.5	\$20.9
5.625% Senior Secured Notes due 2020	\$592.2	\$594.0	\$594.4	\$594.8	\$595.3	\$595.8	\$595.8	\$596.2	\$596.7	\$596.7	\$596.7	\$596.7	\$596.7
Interest Rate	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%
Interest Expense	\$33.3	\$33.4	\$8.4	\$8.4	\$8.4	\$8.4	\$33.5	\$8.4	\$8.4	\$8.4	\$8.4	\$33.6	\$33.6
4.75% Senior Secured Notes due 2020	\$520.6	\$509.1	\$517.6	\$553.9	\$574.5	\$585.2	\$585.2	\$602.8	\$443.8	\$443.8	\$443.8	\$443.8	\$443.8
Interest Rate	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Interest Expense	\$24.7	\$25.2	\$6.1	\$6.6	\$6.8	\$6.9	\$26.5	\$7.2	\$5.3	\$5.3	\$5.3	\$23.0	\$21.1
5.5% Senior Secured Notes due 2020	\$126.8	\$126.3	\$126.1	\$126.0	\$125.9	\$125.7	\$125.7	\$125.6	\$125.4	\$125.4	\$125.4	\$125.4	\$125.4
Interest Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Interest Expense	\$7.0	\$7.0	\$1.7	\$1.7	\$1.7	\$1.7	\$6.9	\$1.7	\$1.7	\$1.7	\$1.7	\$6.9	\$6.9
6.25% Senior Secured Notes due 2022	\$1,468.9	\$1,472.2	\$1,471.0	\$1,476.2	\$1,476.1	\$1,470.1	\$1,470.1	\$1,460.3	\$1,458.3	\$1,458.3	\$1,458.3	\$1,458.3	\$1,458.3
Interest Rate	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Interest Expense	\$91.8	\$93.2	\$23.0	\$23.1	\$23.1	\$23.0	\$92.1	\$22.8	\$22.8	\$22.8	\$22.8	\$91.2	\$91.1
4.75% Senior Secured Notes due 2023	\$912.4	\$884.9	\$897.9	\$958.9	\$992.4	\$1,008.6	\$1,008.6	\$1,036.7	\$981.3	\$981.3	\$981.3	\$981.3	\$981.3
Interest Rate	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Interest Expense	\$43.3	\$44.0	\$10.7	\$11.4	\$11.8	\$12.0	\$45.8	\$12.3	\$11.7	\$11.7	\$11.7	\$47.3	\$46.6
5.35% Senior Secured Notes due 2023	\$61.3	\$61.2	\$61.2	\$61.1	\$61.1	\$61.1	\$61.1	\$61.1	\$61.0	\$61.0	\$61.0	\$61.0	\$61.0
Interest Rate	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%
Interest Expense	\$3.3	\$3.3	\$0.8	\$0.8	\$0.8	\$0.8	\$3.3	\$0.8	\$0.8	\$0.8	\$0.8	\$3.3	\$3.3
3.50% Senior Secured Notes due 2024									\$576.9	\$576.9	\$576.9	\$576.9	\$576.9
Interest Rate									3.50%	3.50%	3.50%	3.50%	3.50%
Interest Expense									\$5.0	\$5.0	\$5.0	\$15.1	\$20.2
6.5% Senior Secured Notes due 2025	\$1,084.2	\$1,085.5	\$1,085.9	\$1,086.2	\$1,086.6	\$1,086.9	\$1,086.9	\$1,087.3	\$1,087.6	\$1,087.6	\$1,087.6	\$1,087.6	\$1,087.6
Interest Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Interest Expense	\$70.5	\$70.5	\$17.6	\$17.7	\$17.7	\$17.7	\$70.6	\$17.7	\$17.7	\$17.7	\$17.7	\$70.7	\$70.7
<b>Gross Debt</b>	<b>\$8,334.2</b>	<b>\$7,863.2</b>	<b>\$7,861.6</b>	<b>\$7,493.5</b>	<b>\$7,635.0</b>	<b>\$8,376.6</b>	<b>\$8,376.6</b>	<b>\$8,049.8</b>	<b>\$8,098.4</b>	<b>\$8,170.6</b>	<b>\$8,411.5</b>	<b>\$8,411.5</b>	<b>\$8,021.1</b>
Average Interest Rate	4.99%	5.11%	5.16%	5.14%	5.21%	4.75%	5.06%	4.60%	4.55%	4.42%	4.36%	4.48%	4.45%

Source: Company reports and Deutsche Bank



# Appendix 1

## Important Disclosures

\*Other information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Intl. Game Technology	IGT.N	24.25 (USD) 30 Jul 18	7,8,14,15

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The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Carlo Santarelli



## Historical recommendations and target price: Intl. Game Technology (IGT.N)

(as of 7/30/2018)



### Previous Recommendations

Strong Buy  
Buy  
Market Perform  
Underperform  
Not Rated  
Suspended Rating

### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*New Recommendation Structure as of September 9, 2002

\*\*Analyst is no longer at Deutsche Bank

1. 08/11/2015:	No Recommendation, Target Price Change USD0.00 Carlo Santarelli	3. 11/20/2017:	Buy, Target Price Change USD34.00 Carlo Santarelli
2. 09/26/2017:	Upgrade to Buy, Target Price Change USD30.00 Carlo Santarelli	4. 03/08/2018:	Buy, Target Price Change USD35.00 Carlo Santarelli

## Equity rating key

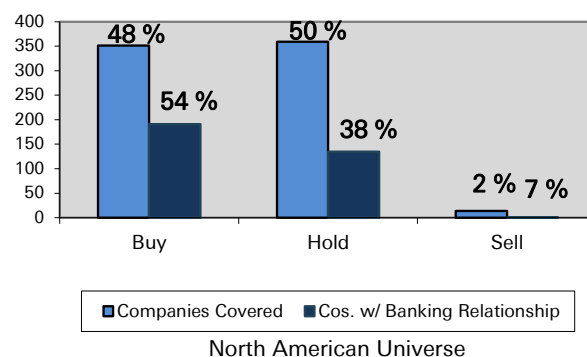
**Buy:** Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

## Equity rating dispersion and banking relationships



North American Universe



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