



Rating
Hold

North America
United States

Consumer
Gaming & Lodging

Company
**Scientific Games
Corp**

Reuters SGMS.OQ Bloomberg SGMS US Exchange NMS Ticker SGMS

Date
8 November 2018

Breaking News

Price at 7 Nov 2018 (USD)	21.32
Price target	45.00
52-week range	62.05 - 18.59

SGMS - 3Q18 First Look

Our Take on 3Q18 Results

While we view 3Q18 results as broadly in-line, we question whether investors will focus on the sequential decline in the install base, which SGMS attributed to a strategic decision to convert leased units to sales in Oklahoma. SGMS noted it is considering an IPO of its social gaming business in 2019 in order to unlock value and the proceeds would go toward paying down debt. Capex remains unchanged at \$360-390 mm for the year though, subsequent to quarter end, SGMS monetized a real estate asset for ~\$40.0 mm. Net-net, while results were broadly in line, we don't see anything remarkable in the results and believe concerns over leverage are likely to continue to weigh on shares.

3Q18 Summary

SGMS reported AEBITDA of \$325.7 mm, which was \$2.2 mm below our \$328.9 mm estimate and above Consensus Metrix Consensus of \$323.2 mm. Total revenue of \$821.0 mm was \$19.8 mm below our \$840.8 mm forecast as the Gaming and Social & Digital segments were below our forecasts, coming in \$11.0 mm and \$9.5 mm below, respectively (Lottery revenue \$0.6 mm above our estimate). Gaming AEBITDA came in at \$232.5 mm, above our \$221.1 mm estimate as margins were up ~325 bps y/y and were ~370 bps better than our forecast. Social & Digital AEBITDA of \$38.9 mm was \$4.5 mm below our \$43.4 mm forecast. Social & Digital margins were up ~260 bps y/y, and were ~130 bps below our forecast. Lottery AEBITDA of \$92.3 mm was \$4.6 mm below our \$96.9 mm estimate as margins came in ~230 bps below our forecast and were up ~70 bps y/y.

Valuation & Risks

Carlo Santarelli

Research Analyst

+1-212-250-5815



Appendix 1

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*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Scientific Games Corp	SGMS.OQ	21.32 (USD) 7 Nov 2018	1, 2, 7, 8, 14, 15

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Historical recommendations and target price. Scientific Games Corp (SGMS.OQ)

(as of 11/07/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

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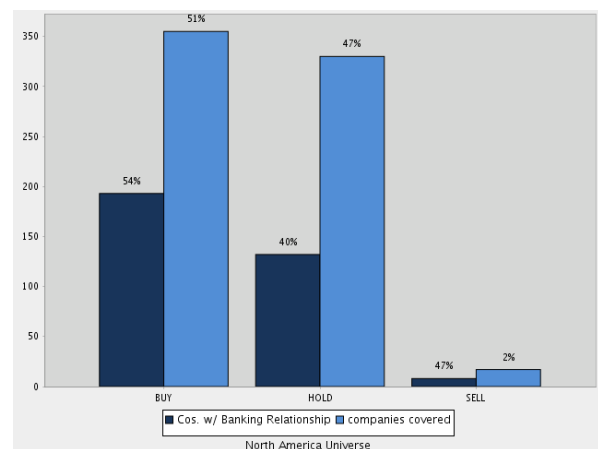
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Group Chief Economist and Global Head of Research

Pam Finelli
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Research

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Head of Germany Research

Spyros Mesomeris
Global Head of Quantitative
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Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500
