

# Financial Review & Outlook

Alberto Fornaro, CFO

2016

# Cautionary Statements

This presentation is not intended to and does not constitute an offer, invitation or recommendation to sell or the solicitation of an offer to subscribe for or purchase or an invitation to purchase or subscribe for any securities in International Game Technology PLC, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and applicable law of the United Kingdom and any other jurisdiction. This presentation is for information purposes only and under no circumstances does it constitute the basis for a public offering or a decision to invest in securities of International Game Technology PLC.

This presentation is not intended to be relied upon and is being made and slides supplied solely for information purposes. The information contained in this presentation may be subject to updating, completion, revision and amendment and such information may change materially and no person is under any obligation to update or keep current the information contained in this presentation. The information contained in this presentation has not been independently verified. No representation or warranty, express or implied, is or will be made by International Game Technology PLC or its representatives, officers, employees or agents as to, and no reliance should be placed on, the fairness, accuracy, completeness, correctness or reasonableness of the information or the opinions contained herein. International Game Technology PLC and its representatives, affiliates, officers, employees and agents do not accept any liability whatsoever for any loss howsoever arising, directly or indirectly, from the use of this presentation or its contents or otherwise arising in connection with this presentation.

# Cautionary Statements

This presentation may contain forward-looking statements (including within the meaning of the Private Securities Litigation Reform Act of 1995) concerning International Game Technology PLC and other matters. These statements may discuss goals, intentions and expectations as to future plans, trends, events, dividends, results of operations or financial condition, or otherwise, based on current beliefs of the management of International Game Technology PLC as well as assumptions made by, and information currently available to, such management. Forward-looking statements may be accompanied by words such as "aim," "anticipate," "believe," "plan," "could," "would," "should," "shall," "continue," "estimate," "expect," "forecast," "future," "guidance," "intend," "may," "will," "possible," "potential," "predict," "project" or the negative or other variations of them. These forward-looking statements are subject to various risks and uncertainties, many of which are outside International Game Technology PLC's control. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may differ materially from those predicted in the forward-looking statements and from past results, performance or achievements. Therefore, you should not place undue reliance on the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include (but are not limited to) the possibility that the businesses of International Game Technology (Nevada) and GTECH S.p.A. will not be integrated successfully, or that the combined companies will not realize estimated cost savings, synergies, growth or other anticipated benefits or that such benefits may take longer to realize than expected; the possibility that International Game Technology PLC will be unable to pay future dividends to shareholders or that the amount of such dividends may be less than anticipated; the possibility that International Game Technology PLC may not obtain its anticipated financial results in one or more future periods; unanticipated costs of integration of International Game Technology (Nevada) and GTECH S.p.A.; reductions in customer spending; a slowdown in customer payments and changes in customer demand for products and services; unanticipated changes relating to competitive factors in the industries in which the company operates; International Game Technology PLC's ability to hire and retain key personnel; the impact of the consummation of the business combination on relationships with third parties, including customers, employees and competitors; International Game Technology PLC's ability to attract new customers and retain existing customers in the manner anticipated; reliance on and integration of information technology systems; changes in legislation or governmental regulations affecting International Game Technology PLC; international, national or local economic, social or political conditions that could adversely affect International Game Technology PLC or its customers; conditions in the credit markets; risks associated with assumptions International Game Technology PLC makes in connection with its critical accounting estimates; the resolution of pending and potential future legal, regulatory or tax proceedings and investigations; and International Game Technology PLC's international operations, which are subject to the risks of currency fluctuations and foreign exchange controls. The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that affect International Game Technology PLC's business, including those described in International Game Technology PLC's annual report on Form 20-F for the financial year ended December 31, 2015 and other documents filed from time to time with the Securities and Exchange Commission (the "SEC"), which are available on the SEC website at [www.sec.gov](http://www.sec.gov) and on the investor relations section of International Game Technology PLC's website at [www.IGT.com](http://www.IGT.com). Except as required under applicable law, International Game Technology PLC does not assume any obligation to update the forward-looking statements. Nothing in this presentation is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per International Game Technology PLC share for the current or any future financial years will necessarily match or exceed the historical published earnings per International Game Technology PLC share, as applicable. All forward-looking statements contained in this presentation are qualified in their entirety by this cautionary statement. All subsequent written or oral forward-looking statements attributable to International Game Technology PLC, or persons acting on its behalf, are expressly qualified in their entirety by this cautionary statement.

## **Non-GAAP Financial Measures**

This presentation contains non-GAAP financial measures, including adjusted EBITDA, adjusted operating income, adjusted diluted EPS, and free cash flow. Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in the appendix to this presentation.

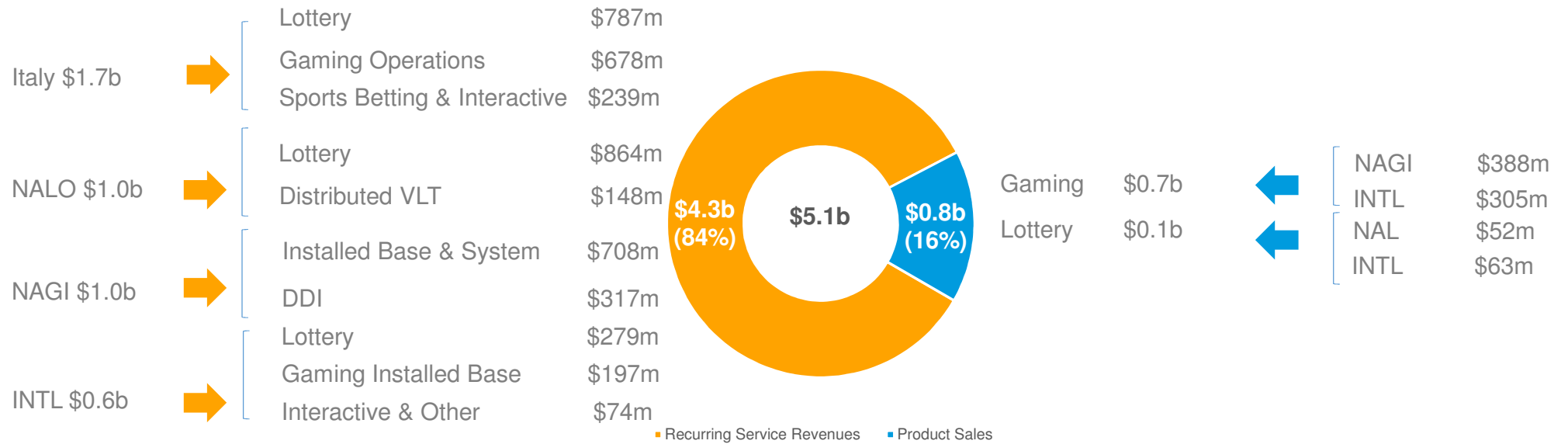
## Agenda

- Financial Overview
- Capital Structure
- Capital Allocation Guidelines
- Outlook
- Creating Shareholder Value

# Financial Overview

# A Solid Base of Recurring Service Revenues

## 2015 Revenues



### Recurring Service Revenue Profile

- Stable, based on long-term contracts (Lottery average maturity 5 years)
- Gross Margins low-mid 40s, on average

### Product Sales Profile

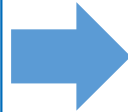
- Variable volumes
- Gross Margins high 30s, on average

Note: All financial information is presented on a pro forma basis

# Synergies Significantly Ahead of Initial Targets

## Original synergies @ transaction close: \$280m

- \$230m cost savings
- \$50m revenue synergies
- Annualized run-rate of two-thirds of cost synergies to be achieved one year from transaction close



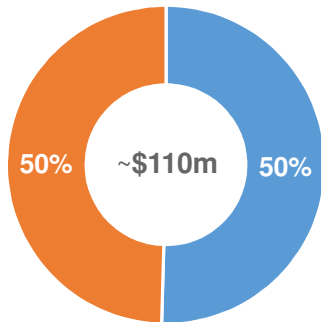
## Current synergies @ FY15: \$320m

- \$270m cost savings
- \$50m revenue synergies
- Annualized run-rate of two-thirds of original cost synergies achieved three months early

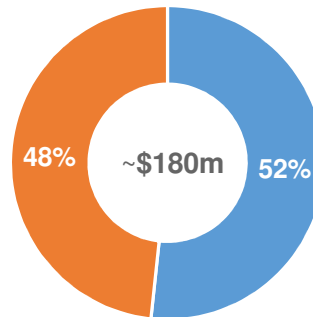
## Areas where synergies have been achieved:

- Eliminated/integrated redundant corporate functions
- Manufacturing consolidation
- Field service integration

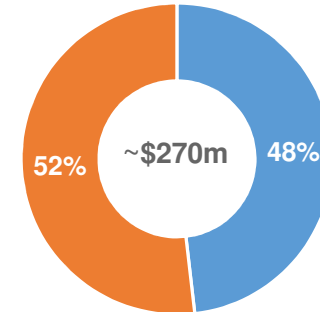
### 2015 Achieved Cost Synergies<sup>1</sup>



### 2016 Cost Synergies Target<sup>1</sup>



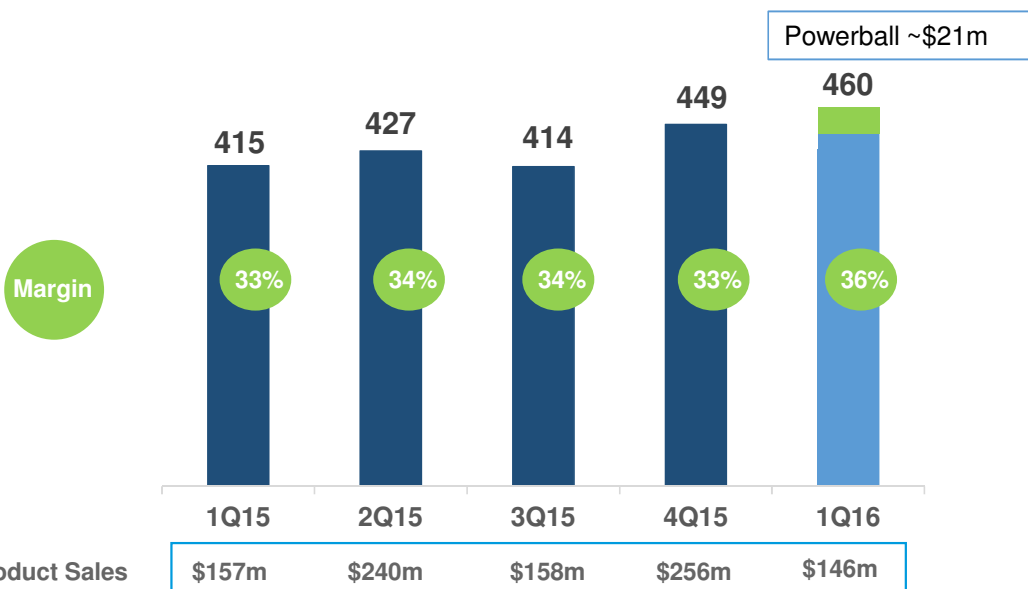
### 2018 Cost Synergies



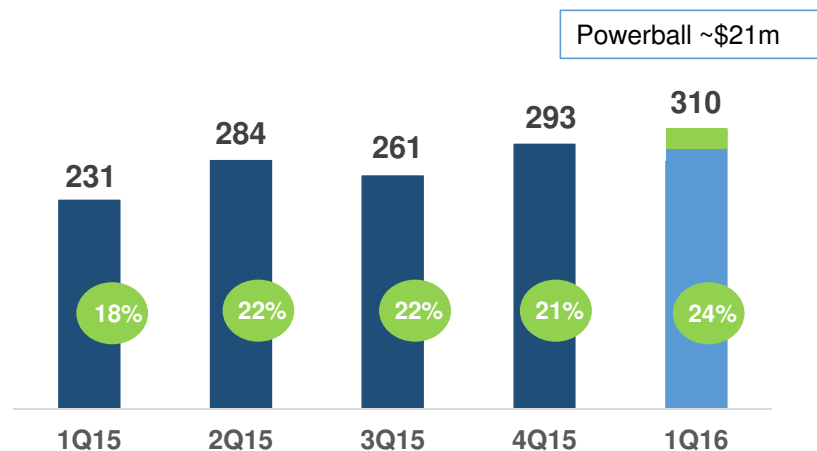
<sup>1</sup> \$95m accrued to P&L in 2015, incremental \$70m expected in 2016

# Stable and Consistent Profitability

Pro Forma Adjusted EBITDA<sup>1</sup> (\$m)



Pro Forma Adjusted Operating Income<sup>1</sup> (\$m)



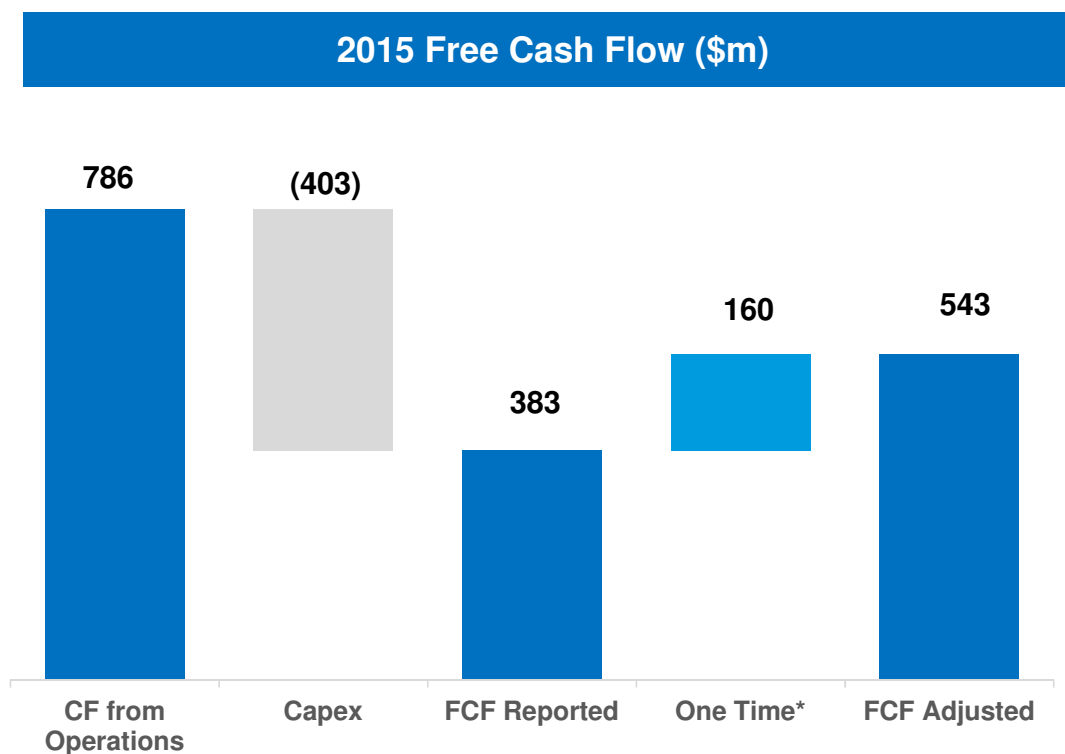
<sup>1</sup> Adjusted results remove impact of purchase price amortization, impairment charges, FX, restructuring expense and transaction expense



# Strong Free Cash Flow Generation

IGT generated over \$540m in free cash flow (before acquisition expenses) in 2015

Both legacy companies had a history of generating strong free cash flow



\*Includes \$160m in one-time, transaction-related items

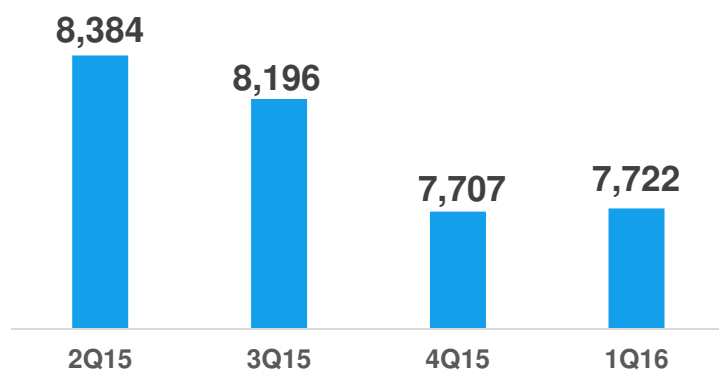
## FY15 Free Cash Flow Impacts

- Free cash flow is reported under U.S. GAAP and includes interest paid of \$365m
- Excludes \$57m in free cash flow from legacy IGT in the first calendar quarter of 2015
- Restructuring expenses have been financed by \$100m in sales of non-strategic assets

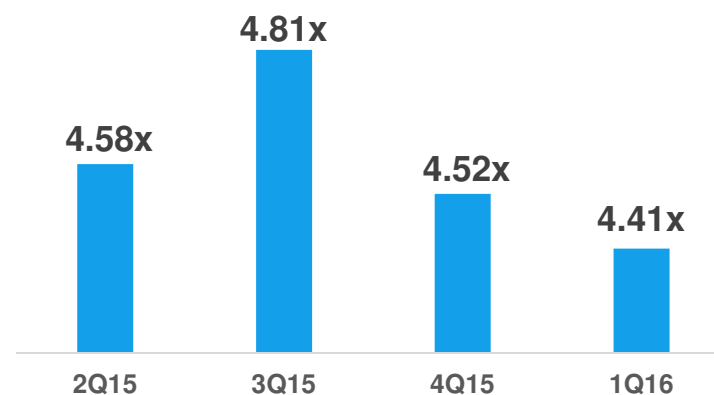
# Capital Structure

# Debt and Leverage Profile

Net debt (\$m)



Net Debt/LTM EBITDA<sup>1</sup>



## Net debt reduction benefitted from:

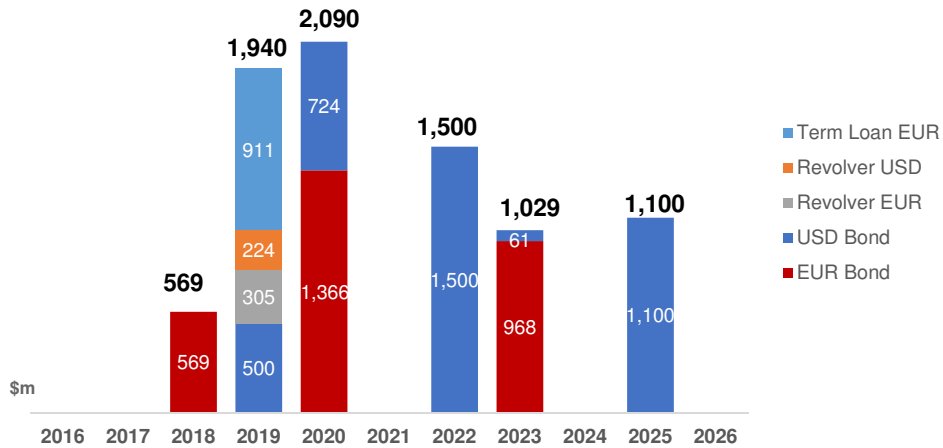
- Cash generated by the business
- Synergies
- Specific cash generation initiatives

**1Q16 includes a \$182m FX headwind**

**Leverage in 1Q16 improved from 2015's level on profit growth**

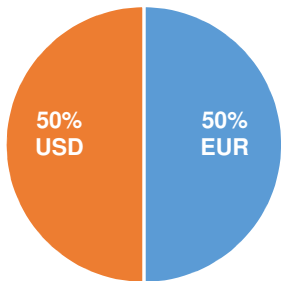
<sup>1</sup> LTM EBITDA on a pro forma, adjusted basis

# Ample Liquidity and Diverse Access to Capital Markets

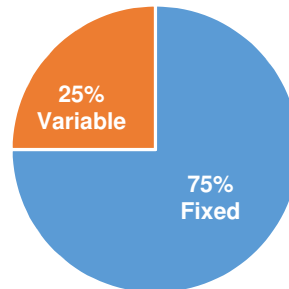


- Average maturity of debt is 5 years
- The Company has the flexibility to access both the US and the European Capital Markets (credit lines + bonds)
- Un-drawn committed lines of over \$2.3b

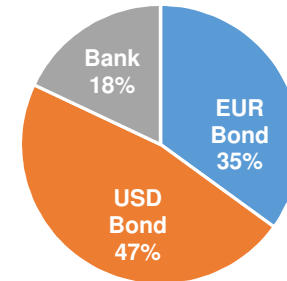
## USD / EUR



## Fixed / Variable



## Debt Portfolio



# Capital Allocation Guidelines

# Focused Capital Allocation Guidelines



## Maintain Scope

- Renewal of existing contracts
- Italian Lotto concession payments



## Pursue Growth Opportunities

- Growth through disciplined capital allocation
- Targeted minimum return on investment based on financial and operating risk



## Deleverage

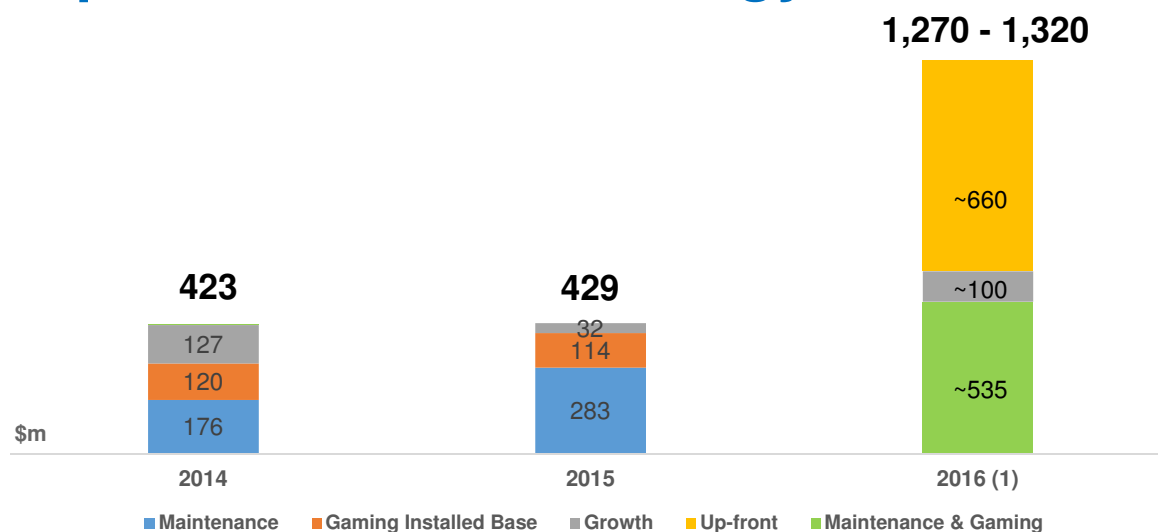
- Achieve medium-term net debt to EBITDA target
- Continued diversification of funding sources by type
- Proactive management of debt & credit line maturities



## Remunerate Shareholders

- Dividend policy: \$0.20 quarterly cash dividend
- Approximately \$160m annual use of cash

# Disciplined Capital Investment Strategy



## Capex

- Capital expenditures fluctuate based on renewal cycle
- Maintenance: maintain portfolio of existing business, primarily long-term lottery contracts
- Gaming Installed Base: related to recurring participation units
- Growth: opportunities outside existing scope
- Up-front: concession fees for operator contracts

## Return On Investment

- Target mid-teens, after-tax return at consolidated level
- Specific projects typically range 10-25%
- Thorough risk-assessment process
  - Country risk
  - Operating risk
  - Financial risk

(1) Estimated capex and one-time large up front payments for Lotto concession excluding pro-rata contribution from JV partners

# Outlook



# 2016 Financial Outlook

**Forecast higher profits at core operations**  
**Increased synergies to offset incremental headwinds**

## 2016 adjusted EBITDA of \$1.74-\$1.79b

- Expect at least \$70m in incremental synergy savings
- Includes negative impact from:
  - Currency
  - Italy Gaming machine taxes
  - Lower Lotto contribution from new concession terms

## CapEx of \$575-\$625m in 2015, ex-Lotto concession

- Lottery maintenance & Gaming ~\$500m
- Lottery growth ~\$100m
- Approximately \$695m in incremental Lotto Capex
  - \$660m in concession fees
  - \$35m in infrastructure upgrades

## Net debt of \$7.7-\$7.9b<sup>1</sup>

- Implied leverage ratio of 4.30-4.54x
  - Includes upfront Lotto concession payments
- Leverage at or below 2015 level

<sup>1</sup> Net debt projection assumes a USD/EUR exchange rate of 1.10

# Medium-term Perspective

**Medium-term objective is to grow the business, reduce debt, and return capital to shareholders**

## Free Cash Flow

- Average, normalized free cash flow around **\$500m** annually over next five years
- Normalized free cash flow spreads up-front Lotto and Scratch & Win payments evenly over their nine year contract terms
- Assumes no working capital impacts and no growth capex

## Leverage

- Committed to deleveraging
- Targeting leverage of less than 4x by 2018

## Return On Investment

- Target mid-teens, after-tax return at consolidated level

**Creating Shareholder Value**

# Risk Profile and Dividend Policy

## Improved risk profile over last twelve months

### Business Risk Profile:

- Highly diversified revenue mix
- Won the Lotto Concession
- Achieving synergies
- Working on stabilizing gaming performance

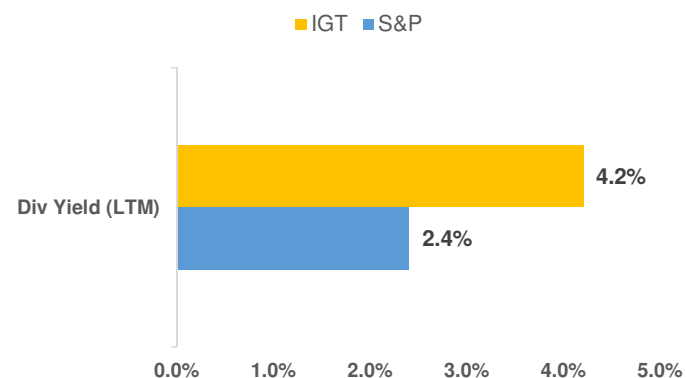
### Financial Risk Profile:

- Created a solid capital structure
- Abundant liquidity
- Average bond maturity = 5 years
- Ability to access global financial markets



## Dividend policy

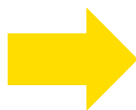
- Quarterly dividend of \$0.20 per share offers attractive yield
- Dividend policy supported by:
  - strong, recurring revenue model
  - high cash flow visibility
  - culture of disciplined financial management



# Financial Goals and Growth Drivers

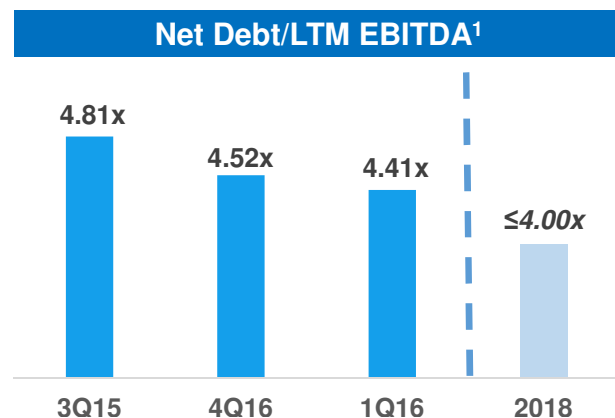
## Upside Profit Potential

- Lottery business is growing
- Progressive growth/stabilization of gaming business
- Long-term stability of Italy revenues and profits
- Synergies support profit growth



## Deleveraging

- Significant historical free cash flow of legacy companies
- 2015 adjusted free cash flow: \$543m, net of interest expense
- 2016 free cash flow impacted by Lotto payments
- 2017-2018 free cash flow utilized to reduce debt



<sup>1</sup> LTM EBITDA on a pro forma, adjusted basis

**Q&A**

# Appendix

# Reconciliation of Non-GAAP Measures

\$m	As Reported									
	2014					2015				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Operating income	246	171	184	114	715	163	115	130	132	540
Purchase accounting	18	20	20	20	78	17	120	118	110	364
Transaction expense, net <sup>1</sup>	0	3	(5)	37	35	11	32	2	4	49
Restructuring expense	4	4	5	10	24	14	16	11	35	77
Impairment loss	0	2	0	1	3	0	0	0	12	12
<b>Adjusted Operating Income</b>	<b>268</b>	<b>200</b>	<b>204</b>	<b>182</b>	<b>855</b>	<b>205</b>	<b>283</b>	<b>261</b>	<b>293</b>	<b>1,043</b>
Net income (loss)	114	62	74	(150)	100	(36)	(112)	9	83	(56)
Income tax expense	74	47	34	86	240	(9)	12	13	23	39
Other expense, net	58	61	76	179	375	208	216	108	26	557
Depreciation	83	76	84	80	324	72	93	95	110	370
Amortization	35	37	37	39	149	33	119	134	124	410
Service revenue amortization	33	33	31	30	126	27	27	27	27	108
Transaction expense, net <sup>1</sup>	0	3	(5)	37	35	11	32	2	4	49
Restructuring expense	4	4	5	10	24	14	16	11	35	77
Non-cash purchase accounting (excluding D&A)	0	(0)	0	0	0	0	19	2	2	23
Stock compensation	2	(4)	6	9	14	1	5	12	3	21
Impairment loss	0	2	0	1	3	0	0	0	12	12
Other	0	0	0	0	0	0	0	0	0	0
<b>Adjusted EBITDA</b>	<b>403</b>	<b>323</b>	<b>342</b>	<b>321</b>	<b>1,389</b>	<b>321</b>	<b>427</b>	<b>414</b>	<b>449</b>	<b>1,611</b>

<sup>1</sup> Transaction expense (income), net is composed of transaction costs on significant business combinations and significant gains and losses incurred on disposals of group entities or businesses. These items are only incidentally related to our ordinary activities, are not expected to occur frequently and hinder comparability of our period-over-period performance. We believe separate identification allows users of the financial statements to take them into appropriate consideration when analyzing our performance.



# Reconciliation of Non-GAAP Measures

\$m	Pro Forma									
	2014					2015				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Operating income	318	280	306	177	1,082	156	115	130	132	533
Purchase accounting	24	26	32	27	109	24	120	118	110	372
Transaction expense, net <sup>1</sup>	0	3	5	51	59	30	32	2	4	68
Restructuring expense	4	4	5	10	24	14	16	11	35	77
Impairment loss	22	4	15	2	43	7	0	0	12	19
<b>Adjusted Operating Income</b>	<b>368</b>	<b>318</b>	<b>363</b>	<b>268</b>	<b>1,317</b>	<b>231</b>	<b>283</b>	<b>261</b>	<b>293</b>	<b>1,069</b>
Net income (loss)	140	134	144	(115)	303	(49)	(112)	9	83	(69)
Income tax expense	90	69	72	103	334	(13)	12	13	23	35
Other expense, net	88	77	90	190	446	218	216	108	26	567
Depreciation	116	108	114	108	447	99	93	95	110	397
Amortization	49	51	51	49	200	43	119	134	124	420
Service revenue amortization	33	33	31	30	126	27	27	27	27	108
Transaction expense, net <sup>1</sup>	0	3	5	51	59	30	32	2	4	68
Restructuring expense	4	4	5	10	24	14	16	11	35	77
Non-cash purchase accounting (excluding D&A)	0	(0)	0	0	0	0	19	2	2	23
Stock compensation	10	3	15	18	46	7	5	12	3	27
Impairment loss	22	4	15	2	43	7	0	0	12	19
Other	0	0	(1)	2	0	32	0	0	0	32
<b>Adjusted EBITDA</b>	<b>551</b>	<b>487</b>	<b>541</b>	<b>448</b>	<b>2,027</b>	<b>415</b>	<b>427</b>	<b>414</b>	<b>449</b>	<b>1,704</b>

<sup>1</sup> Transaction expense (income), net is composed of transaction costs on significant business combinations and significant gains and losses incurred on disposals of group entities or businesses. These items are only incidentally related to our ordinary activities, are not expected to occur frequently and hinder comparability of our period-over-period performance. We believe separate identification allows users of the financial statements to take them into appropriate consideration when analyzing our performance.

## Reconciliation of Non-GAAP Measures

\$m	As Reported		Legacy IGT	Pro Forma	
	Q1 2015	Q1 2016	Q1 2015	Q1 2015	Q1 2016
Net Loss	(36)	(86)	(13)	(49)	(86)
Provision for Income Taxes	(9)	(9)	(4)	(13)	(9)
Non-Operating Expenses	208	283	10	218	283
Depreciation	72	99	29	101	99
Amortization	33	125	6	39	125
Impairment	-	-	6	6	-
Amortization of Upfront Payments to Customers	27	28	4	31	28
Transaction Expense, Net	11	1	19	30	1
Restructuring Expense	14	9	-	14	9
Non-Cash Purchase Accounting (Excluding D&A)	-	1	-	-	1
Stock Compensation	1	9	6	7	9
Other	-	-	31	31	-
Adjusted EBITDA	<u>321</u>	<u>460</u>	<u>94</u>	<u>415</u>	<u>460</u>

## Reconciliation of Non-GAAP Measures

\$m	Q1'16 As Reported	Adjustments				Q1'16 As Adjusted
		PPA	FX	Restructure	Trans. Exp.	
Total Revenue	1,282	-	-	-	-	1,282
Cost of Services	649	(46)	-	-	-	603
Cost of Sales	122	(30)	-	-	-	92
SG&A	228	(35)	-	-	-	193
R&D	85	(1)	-	-	-	84
Restructuring	9	-	-	(9)	-	-
Transaction Expense	1	-	-	-	(1)	-
Total	1,094	(112)	-	(9)	(1)	972
Operating Income	188	112	-	9	1	310
Foreign Exchange	(162)	-	162	-	-	-
Other Expense (Net)	(7)	3	-	-	-	(4)
Interest Expense (Net)	(114)	2	-	-	-	(112)
Total	(283)	5	162	-	-	(116)
Income Before Taxes	(95)	117	162	9	1	194
Income Taxes	(9)	40	37	3	-	71
Net Income	(86)	77	125	6	1	123
Minority Interest	7	-	-	-	-	7
Attributable to IGT	(93)	77	125	6	1	116
EPS - Diluted	(0.46)					0.57
WASO - Diluted	200.4					201.5