



AINSWORTH GAME TECHNOLOGY LIMITED

2019

ANNUAL GENERAL MEETING



AGENDA

1. Welcome
2. Chairman's Address
3. Chief Executive Officer's Address
4. Annual General Meeting



Chairman's Address

Presentation by
Graeme Campbell

Results Summary

FY19 results down:

- Total sales revenue of \$234m, decrease of 12% on pcp.
- Profit before tax (excluding currency impacts and one-off items) is \$13m.
- Diluted EPS down to 3.0 cents (pcp: 9.0 cents).

Continued strong contribution in international businesses:

- International revenue \$198m, -2%, 85% of total.
- North America revenues +8%, profit +16%.

New product suite set to improve domestic game performance:

- Australia revenues, -43%, profit -86%.

Strong position in challenging LATAM markets

- LATAM revenues, -8%, profit -22%.

Participation fleet : 6,806 units at 30 June 19, +16%

- LATAM : 4,616 units, +41%
- North America : 2,190 units -15%

Strong balance sheet:

- Cash flow from operating activities \$61m, +\$19m compared to pcp.
- Retired over \$20m debt in FY19 with further \$27m post 30 June 2019
- Net cash of \$6m in FY19 compared to net debt of (\$36m) in FY18.

LUCKY BREAK

**QUICK
SPIN**

**ELECTRIC
CASH**

**RIO
GRANDE**
LOS TORITOS



Chief Executive Officer's Address

Presentation by
Lawrence Levy

Profit & Loss summary

- Profit before tax (excluding currency impacts) is \$8.6m, 78% decrease on pcp.
- International sales accounts for 85% of total revenue.
- Excellent contribution from North America, profit +16%.
- 43% decline in domestic revenue compared to pcp.

A\$m	12 months to 30-Jun-2019	12 months to 30-Jun-2018	Change (%)
Domestic revenue	36.1	63.6	(43%)
International revenue	198.2	202.0	(2%)
Total revenue	234.3	265.6	(12%)
Gross profit	139.9	156.6	(11%)
EBITDA	44.8	68.0	(34%)
EBITDA Margin %	19%	26%	(7%)
PBT	14.7	42.3	(65%)
Income tax expense	(3.8)	(10.4)	63%
NPAT	10.9	31.9	(66%)
R&D (% of revenue)	17%	13%	4%
EPS (diluted) (A\$)	0.03	0.09	(67%)
DPS (A\$)	-	0.04	N/A

North America

Consistent strong performance:

- Revenue growth due to increased sales of the high performing Quick Spin™ product family on the A640 cabinet.
- 16% increase in segment profit due to product mix, focus on spend and overhead containment.
- Gaming Operations install base declined as customers prefer to purchase top performing titles. This is partially offset with increase in daily win with product performance management and service connection fees on Historical Horse Racing (“HHR”) products.
- Slight drop in ASP in a very competitive market – consistent when normalised for 900 units to CDI in FY18.

A\$m	12 months to 30-Jun-2019	12 months to 30-Jun-2018	Change (%)
Revenue	114.0	105.7	8%
Gross Profit	74.7	65.6	14%
Segment EBITDA	57.4	50.3	14%
Segment Profit	47.1	40.7	16%
Segment Profit (%)	41%	39%	2%
Unit Volume (no.)	2,952	3,021	(2%)
ASP (US\$'000's) *	17.2	17.8	(3%)
Game Operations – Installed Base at 30 June	2,190	2,583	(15%)
Ave per Day (US\$)	26	25	4%

*Excludes distributor sales, reworks and on-charges.

Latin America

Lighter Performance:

- Legacy game performance is strong thus providing continued profitability throughout the region.
- Decline in ASP due to increased mix of units sold in lower priced market.
- Second-hand machines account for 32% of volume in FY19, significantly higher than pcp of 17%.
- Gaming Operations increased 41% y/y with a decline in yield due to foreign currency deterioration and Lease to Sale conversion of best performing products.
- Mexico remains an important market with continual growth and robust results. To compliment our growth strategy, we launched the Mustang Money online casino in Q4FY19.

A\$m	12 months to 30-Jun-2019	12 months to 30-Jun-2018	Change (%)
Revenue	72.7	78.7	(8%)
Gross Profit	43.7	47.7	(8%)
Segment EBITDA	29.1	34.1	(15%)
Segment Profit	24.0	30.6	(22%)
Segment Profit (%)	33%	39%	(6%)
Unit Volume (no.)	2,931	3,322	(12%)
ASP (US\$'000's) *	16.0	16.9	(5%)
Game Operations – Installed Base at 30 June	4,616	3,269	41%
Ave per Day (US\$)	10	15	(33%)

*Excludes distributor sales, reworks and on-charges.

Rest Of World

Challenged performance

- Revenue decreased by 35%, mainly reduced contribution from Novomatic compared to pcp.
- Online contributed \$4.2m in revenue, similar to pcp.
- Challenging conditions for Asia and NZ, refreshed strategy on product portfolio.

A\$m	12 months to 30-Jun-2019	12 months to 30-Jun-2018	Change (%)
Revenue	11.5	17.6	(35%)
Gross Profit	7.5	12.4	(40%)
Segment EBITDA	7.1	10.7	(34%)
Segment Profit	6.8	10.4	(35%)
Segment Profit (%)	59%	59%	-
Unit Volume (no.)*	438	1,215	(64%)

*Unit volume include Kits to Europe (Novomatic).

Australia

Competitive pressures affected results:

- Significant product transition to re-energise performance.
- Maintained ASP despite tough conditions.
- Continuous competitive period for volume and revenue growth due to challenging market conditions and lack of product performance.
- Decrease in segment profit attributable from fixed overhead and trade out of older style cabinets.

A\$m	12 months to 30-Jun-2019	12 months to 30-Jun-2018	Change (%)
Revenue	36.1	63.6	(43%)
Gross Profit	14.0	30.9	(55%)
Segment EBITDA	5.4	21.6	(75%)
Segment Profit	2.8	19.4	(86%)
Segment Profit (%)	8%	31%	(23%)
Unit Volume (no.)	978	2,156	(55%)
ASP (ex rebuilds) (\$A'000's)	22.8	22.5	1%
Service Revenue	8.0	7.5	7%

Operating Costs

A\$m	12 months to 30-Jun-19 constant currency basis	12 months to 30-Jun-19	12 months to 30-Jun-18	Change %
Sales, service and marketing ('SSM')	61.0	64.9	59.6	9%
R&D	39.4	40.4	34.4	17%
Administration	24.1	25.0	23.3	7%
Total Operating costs	124.5	130.3	117.3	11%

- Increase in SSM expenses primarily due to:
 - Additional depreciation expense due to increase in machines placed under participation and lease.
 - Adverse forex translation impact - \$3.9m.
- Increase in R&D expenses is primarily due to:
 - Increased third party contractors and technical compliance costs.
 - Decrease in capitalised development costs.
 - Increase in amortisation costs as a result of commercialisation of previously capitalised projects.
 - Adverse forex translation impact - \$1.0m.
- Increase in Administration expenses is primarily due to:
 - \$2.4m reversal of previously recognised Long Term Incentive (LTI) payment expense amortisation in FY18.
 - Adverse forex translation impact - \$0.9m.

Balance Sheet

A\$m	30-Jun-19	30-Jun-18
Total assets	483.3	506.3
Net assets	393.5	378.8
Total debt	55.4	71.9

Financial covenant ratios	30-Jun-19
Interest ratio - (EBITDA/Interest Expense)	22.89
Gearing ratio - (Debt)/(Debt+ Equity)	12.35%
Leverage ratio - (Debt/EBITDA)	1.08

Debt ratios	30-Jun-19	30-Jun-18
Debt Ratio (Total Liabilities/Total Assets)	18.57%	25.19%
Debt to Equity Ratio (Total Liabilities/Total Equity)	22.80%	33.67%
Cash Flow to Debt ratio - (Cash Flow from Operations/Total Liabilities)	68.22%	15.09%

- ❖ 30 June 2019 : Net Cash Position of \$6m [30 June 2018 : Net Debt Position of (\$36m)]
- ❖ Retire over \$20m debt in FY19
- ❖ Cash reserves at 30 June 2019 : \$62m
- ❖ Strong capital to allow growth opportunities and flexibility

Key Priorities

1. Streamline AGT to create a more agile, competitive and efficient company.
2. Complete the re-evaluation of AGT's R&D investments to develop successful, new innovative products.
3. Access to Novomatic's significant expertise to identify and deliver additional synergy benefits.
4. Continue to grow unit sales in Class II and III North American products.
5. Pursue selective acquisitions while maintaining strong capital disciplines and cost controls.
6. Expand AGT's online interactive capabilities.

Outlook

- Committed in delivering improved long-term results.
- Further investment in product development and transition to new game concepts.
- Continue strong performance in North America.
- H1FY20: Expecting an unaudited net loss before tax, excluding currency impacts, of approximately \$4m.
- Expecting improved revenue and profit in H2 FY20 compared to H1 FY20 resulting in positive PBT excluding currency impacts, overall for FY20.

Financial Statements and Reports

To receive and consider the Annual Financial Report including the Directors' and Auditor's Reports in respect of the financial year ended 30 June 2019.

Resolution 1

Re-election of Mr. Colin John Henson, as Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That Mr. Colin John Henson, who retires in accordance with Rule 7.1(f) of the Company Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a non-executive director of the Company.”

THE PROXIES HELD ON THE ABOVE RESOLUTION ARE AS FOLLOWS:

FOR	279,110,709	97.86
AGAINST	6,108,325	2.14

Included above are 229,740 proxies which were open and usable and the Chairman has elected to vote these in favour of the resolution.

Resolution 2

Re-election of Mr. Daniel Eric Gladstone, as Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That Mr Daniel Eric Gladstone, who retires in accordance with Rule 7.1(f) of the Company Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a non-executive director of the Company.”

THE PROXIES HELD ON THE ABOVE RESOLUTION ARE AS FOLLOWS:

FOR	260,788,278	91.41
AGAINST	24,518,461	8.59

Included above are 227,790 proxies which were open and usable and the Chairman has elected to vote these in favour of the resolution.

Resolution 3

Approval of Remuneration Report

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That the Remuneration Report for the Company required by section 250R(2) of the *Corporations Act 2001 (Cth)*, which is included in the Directors’ Report in respect for the year ended 30 June 2019, be adopted.”

THE PROXIES HELD ON THE ABOVE RESOLUTION ARE AS FOLLOWS:

FOR	282,593,117	99.65
AGAINST	1,010,326	0.35

Included above are 227,790 proxies which were open and usable and the Chairman has elected to vote these in favour of the resolution.

OTHER BUSINESS



AINSWORTH GAME TECHNOLOGY

10 Holker St, Newington NSW

www.agtslots.com.au