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**AINSWORTH GAME TECHNOLOGY LIMITED  
2021 ANNUAL GENERAL MEETING ADDRESSES**

**NON-EXECUTIVE CHAIRMAN**

(Presented by Mr Danny Gladstone)

Ladies and Gentlemen,

I would like to present the annual review of the 2021 financial year.

2021 has clearly been a challenging year for our customers, communities, and colleagues and I am proud of the support Ainsworth has provided through these difficult times. We have delivered a strong recovery in results in the second half of the financial year and with progress in vaccine roll outs and the gradual reopening of customers' venues across our major markets, we look forward to further improvement in trading conditions in FY22 and beyond.

For FY21, AGT reported a Loss before Tax of \$59.2 million. This loss reflects the impact of the pandemic and government imposed mandatory closures of customers' venues, particularly in the first six months of FY21. The results also included \$42.1 million relating to currency impacts and other one-off non-recurring items, including non-cash impairment charges of \$41.7 million.

Excluding currency translation impacts and one-off items noted above, the Loss before Tax for the year was \$17.1 million. This compares to a loss of \$34.0 million in FY20 on a similar basis.

The results for the second half of FY21 showed a significant improvement on the first half results. Our performance has followed the progress of vaccination programs and increased customer activity. Compared to the \$56.6 million Loss before Tax reported for Half 1 of FY21, AGT delivered improved performance for the second half of the financial year with a loss of \$2.6 million.

While macro conditions have been volatile, our long-term strategies have remained consistent. Our goals are to expand our international footprint, invest in technology to enhance the product suite, and build our participation fleet to improve the quality of earnings. These are the foundations for our future success.



International markets contributed \$120.5 million in revenue for FY21, representing 76% of the group's total revenue. This delivered an improved performance overall with the second half representing \$67.6 million, up 28% on the first half. Recurring revenues continue to grow, accounting for 28% of total revenues compared to 26% in the Prior Corresponding Period (PCP). AGT's units under gaming operation increased by 9% to 7,052, generating annuity style recurring revenues.

Operating costs were well controlled in FY21 with a decrease of 20% on the \$122.7 million in the prior year. Current economic challenges resulted in the instigation of effective management and control of operational expenses, including agreed rental concessions, voluntary employee salary reductions and receipt of available government subsidies.

Despite these significant operational challenges, we remained focused on innovation and developing superior products for our customers. The effectiveness of our R&D investment will continue to be a primary objective with the efficient production of innovative, high performing products being the key to our future success.

The recent appointment of David Bollesen as Chief Product Officer will ensure our commitment to innovation and excellence. David has significant experience within the gaming industry and will be responsible for building on the existing game studios to drive increased game performance and market share in all regions.

AGT's leading Historical Horse Racing (HHR) products and system, continued to perform well in the year. AGT is pursuing new revenue opportunities in current established markets and new jurisdictions where legislation has recently been passed, including New Hampshire, Wyoming, and Louisiana.

The previously launched A-Star cabinet is another example of Ainsworth at its best. We successfully exhibited the A-Star at the National Indian Gaming Association trade show in July 2021, the first to take place since the declaration of the pandemic. The positive customer responses and interest bode well for future growth.

In line with the strategic priority to protect AGT during this challenging period, the Company's balance sheet and liquidity have been strengthened. At 30 June 2021, AGT had a cash balance of \$42.4 million and since then, the cash balance has further increased. As a result of the exclusive distribution agreement for Real Money Gaming within the USA, AGT received the initial US\$5 million contribution from GAN Limited in July 2021.

Given the focus on liquidity and ensuring AGT is well placed during challenging market conditions, the dividend program remains suspended.

While the FY21 results were significantly affected by the pandemic, the proactive measures we have implemented to strengthen AGT and position the Company for further recovery, should lead to improved performance as customer activity continues to increase. As you will have heard me say before, we have a professional workforce, an excellent industry reputation and a well-established footprint across our markets.

We also have a new CEO to lead our growth and recovery. Harald Neumann commenced as CEO on 1st October 2021. As the former successful CEO of Novomatic AG, our major shareholder, and a director of AGT, he brings a wealth of knowledge and experience to the role with a thorough understanding of AGT. I welcome him to his first AGM in his new role.

On behalf of the Board, I would like to acknowledge Lawrence Levy for his contribution, prior to his resignation as CEO in September for personal reasons.



I would like to close by thanking my fellow directors, our highly capable executive team in Australia and the Americas, as well as our dedicated and loyal employees, my fellow shareholders and of course, our customers.

I will now hand over to Harald to provide his CEO address.

## **CHIEF EXECUTIVE OFFICER (CEO)**

(Presented by Mr Harald Neumann)

Thank you, Danny.

Dear shareholders,

I am pleased to provide my first report as your new CEO. It is a privilege to be appointed to this executive leadership position at Ainsworth at such an important and challenging time in the company's development.

As many of you will know, I started in my new role on the 1<sup>st</sup> October this year. I have been a director of your Company since 2017 and this will be my fifth Annual General Meeting of shareholders. It is a pleasure to present to you today and I add my welcome to all shareholders and guests.

Given my experience in the industry and directorship at Ainsworth, I have been able to build a strong knowledge of the business and a good understanding of our strengths and opportunities. Our key strengths include our trusted brand, our highly capable staff, the company's enduring commitment to developing superior game technologies and our customer relationships across our major markets, particularly in the Americas.

It is the potential to leverage these strengths into large market opportunities to deliver sustained growth and improved returns for shareholders that appeals to me about the role and excites me about Ainsworth.

I have recently visited a number of our operations to review our capabilities and opportunities. I have also had the benefit of talking with customers and many of my colleagues including management, sales and marketing teams and product developers. It is very clear to me that we have the ability, as pandemic restrictions are removed, to deliver on our potential to be a larger and more profitable company in our major markets.

The improved results we delivered in the second half of FY21 highlight this recovery potential. Revenue in Half 2 increased by 21% compared to the first half. Loss after tax for Half 2, including \$12.5 million of non-cash impairments, was \$3.3 million compared to a loss of \$50.1 million in the first six months.

Underlying EBITDA, a more reflective measure of operational performance, vastly improved in Half 2 of FY21, and increased year on year. AGT reported underlying EBITDA of \$15.5 million for FY21 compared to \$5.8 million in the Prior Corresponding Period. Underlying EBITDA for Half 2 of FY21 was \$14.4 million compared to \$1.1 million in the first half. While these results don't reflect Ainsworth's real earnings potential, they are much better results than we reported for the first half.

The North America region was once again the highlight of the results. The region reported revenue of \$88.5 million, up 23%. Customer activity has recovered strongly as many markets reopened once vaccination programs advanced.



Assets on participation were up 17% to 2,712. Participation and lease revenue increased by 66% year on year, and now contribute a greater share of overall regional revenue at 44% (32% in FY20).

Following the close of the financial year, AGT completed a cash sale to Kentucky Downs of 400 machines previously under participation. The sale represents a mixture of hardware configurations including a portion of the newly released A-Star curve cabinets. The agreement provides for AGT to receive connection fees in FY22 and beyond. This sale gives us a good start to the new financial year.

Australia delivered a good result in FY21, with solid growth over the PCP. The new A-Star curve cabinet and suite of innovative games were launched in the year. Revenue grew by 38% and EBITDA by 15% to \$5.4 million (PCP: \$4.7 million). Revenue increased in all states except Victoria.

While the latest lockdowns in some states of Australia created uncertainty, customers are now looking to progressively invest in their gaming floors to ensure they are competitively placed and appropriately resourced. I am pleased to report venues are now reopening and activity levels are slowly recovering.

Latin America was heavily impacted by the pandemic with high transmission rates, Government mandated closures and access restrictions to customer venues in Mexico, Argentina, and Peru. These restrictions affected performance. Revenues for the region were \$18.3 million, a reduction of 56%.

Results in Half 2 of FY21 saw some recovery with revenues of \$13.5 million compared to \$4.8 million reported in Half 1. Of the 625 machines AGT sold in the region last year, 82% were in the second half. As these markets increase vaccination rates, it is expected that Government restrictions will be eased within FY22 and further revenue opportunities can be expected as previously deferred purchasing decisions are progressed across the region.

Online revenue grew by 28% to \$5.9 million in the year following the launch of Real Money Gaming in New Jersey in April 2020 and progressively going live with AGT content with seven (7) major operators. The success of this business led to the US exclusivity agreement AGT executed with GAN Limited, ensuring continued growth for FY22 and beyond.

The gross margin in FY21 was 56%, an increase on the 52% reported in the first half, however an overall reduction on the 61% in the PCP. The reduced margin was primarily due to further write down of older style cabinets, higher production overhead costs resulting from lower production units and sales forecasts in most jurisdictions.

Despite all the challenges of the pandemic across our regions, AGT today is well placed for further recovery and long-term growth. We proactively took the opportunities the pandemic presented to enhance product development, streamline our cost base, expand our market presence and strengthen our balance sheet. These initiatives have improved our financial results. We are conducting a broad review of our operations and investments to ensure we are maximising our assets and opportunities so that we are well positioned for the future.

We have an optimistic outlook. Our North American business is performing well. Markets have effectively reopened over there, with social distancing. We are pursuing new growth opportunities for our market leading Historical Horse Racing (HHR) products in new jurisdictions following the passing of new legislation. We are excited by the opportunities to extend MTD, which we acquired in FY20 across our jurisdictions to drive new sales and we can promote the A-Star cabinet, which is still relatively new in the US given so many trade shows and exhibitions were cancelled last year. Our Australian business is also making progress after the recent lockdowns.



The commitment to employing the best talents available to drive effective and efficient product development is critical to our success. To enhance our efforts in this area and as Danny outlined, we welcome David Bollesen as our new Chief Product Officer. David commenced on 7 October this year and has a wealth of industry knowledge having held senior positions in a career spanning over 25 years. Most recently David held the position as Vice President of Game Studios of a major international gaming company within Australia as well as several key roles within the USA. We look forward to David's involvement at Ainsworth and positive contributions across development strategies in coming periods.

Our strong financial model supports our growth ambitions. 28% of group revenues recur and 76% of our sales are from offshore markets. In FY21 we refinanced a \$50 million flexible loan facility and closed the year with a cash balance of \$42.4 million.

Since 30<sup>th</sup> June, our financial position has strengthened further as Danny explained. We received the USD \$5 million initial payment from GAN. Churchill Downs paid us USD9.4 million for the sale of 400 participation machines in July and we have been able to repay US\$18 million of borrowings.

AGT is purposefully a different company to the one we were before the pandemic. We have deliberately taken advantage of the opportunities available to us over the last year to become more streamlined, more efficient and more competitive. We are well positioned for recovery and growth.

I am pleased to report AGT's momentum in the second half of the last financial year has continued into FY22. Revenue for the first half of FY22, is expected to be ahead both the prior corresponding period and the previous six months. AGT expects to deliver a profit before tax, excluding currency impacts and one-off items, for the first half of FY22 of around A\$10m.

While domestic markets have been adversely impacted by extended lockdowns, our North American and Latin American operations are delivering growth and improved earnings. AGT's online activities are also contributing positively following the exclusive distribution partnership announced with GAN Limited.

I wish to express my appreciation to Danny Gladstone as the Chairman for his ongoing contribution to the Company. Danny has tremendous industry knowledge and proven expertise and I look forward to working closely with him.

I would also like to thank the other directors on the Board, Mark Ludski our CFO, the executive teams from North America, Latin America and Australia and our talented employees, supportive shareholders and, importantly, our customers for their trust and continued support.

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