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**Ainsworth Game Technology
FY22 Full Year Results Teleconference Script**

Harald Neumann, Chief Executive Officer (CEO)

Thank you, operator.

Good morning, everyone and thank you for joining me on the Ainsworth FY22 results conference call.

Mark Ludski is also on the line.

As usual I will concentrate my remarks on the key points and the regional review. Mark will take you through the financials. At the end of the presentation, we would be pleased to answer any questions.

I refer you to the Investor Presentation released outlining the FY22 unaudited financial results. I note that all numbers outlined will be in Australian dollars unless specifically noted otherwise.

The audit of the financial results is currently in progress and is expected to be completed within the month of September at which time the Company will release its final audited Annual Financial Report. We do not expect any change in the operating numbers that were released yesterday.

Slide 5: Results Summary

Let's start on page 5 with the highlights of the preliminary unaudited financial results for FY22.

Firstly, I am pleased to report Ainsworth has delivered a much-improved performance this year with good momentum in the second half of the year.

We delivered a Profit After Tax of \$11.8 million for the year. This compares to a Loss After Tax of \$53.4 million in FY21, which was impacted by continuing pandemic impacts.

Profit Before Tax, excluding currency impacts and one-off items, was \$27.3 million in the period, with Half 2 contributing \$17.3 million. The second half was an increase of 73% compared to the \$10.0 million reported in Half 1.

In Half 2 we benefitted from improved product performance and some recovery in market conditions in Latin America as previous pandemic restrictions were eased.

Profit before tax, excluding currency impacts and one-off items, is the better reflection of our operating performance, as I outlined this was \$27.3 million in the period. This is a positive swing of over \$44 million compared to the loss of \$17.1 million we reported in FY21.



Ainsworth's cash flow and balance sheet are again positive features of the results. Our priority is to maintain a strong balance sheet and liquidity to be able to support the R&D investments we need to ensure the development of competitive products across our markets. We closed the year with a net cash position of \$50.3 million which was a \$45.2 million rise on the PCP.

Cash flow from operations was \$51.3 million, an increase of \$29.1 million. We repaid \$39.1 million of borrowings during the year which was well timed given the interest rate rises. At June 30th we had cash and cash equivalents of over \$50 million.

AGT is well placed to self-fund product and technology investments whilst supporting required levels of working capital to satisfy customer demand.

Slide 8 Profit and Loss Summary

I'll move to the Profit and Loss Summary on page 8.

Group Revenue increased to over \$220 million, up 38% on the \$159.5 million in the PCP.

The gross margin in the period was 63% reflects improved volumes and increased recurring revenues through gaming operations in the year. We built up our inventory at the year end to \$68.3 million. This is higher than the recent average of around \$56 million, so that we could mitigate supply chain risks.

Group operating costs in constant currency terms were \$190.5 million, 13% higher than in the PCP. The increase in operating costs was mainly attributable to the increase in salaries and wages. AGT is actively working on measures to mitigate inflationary cost pressures across its regions. Total headcount numbers were consistent to those twelve months earlier with reductions in resources in Australia reflecting the reduced revenue environment.

Underlying EBITDA was \$48.6 million. Again, you can see the momentum in the second half of the year. Underlying EBITDA in Half 2 was \$27.9 million, representing growth of 35% compared to the first half of the year, and almost double the result of \$15.5 million reported for the full year FY21.

Reflecting the improvement in trading conditions offshore, international revenues increased by 50% versus the PCP, and now account for 82% of the Group's total revenue. Recurring revenues, another strong feature of AGT's business model, increased by 28%.

The Board determined to record a provision of \$17.4 million in AGT's balance sheet at 30th June to reflect the current and ongoing position with the Mexican Tax Administration Service (SAT) as we disclosed to ASX on 12 July 2022. The Company maintains and will strongly defend its position that both software (including game) and hardware should be considered as a whole for the calculation of regional value content and USA origin under the North American Free Trade Agreement (NAFTA). This issue is ongoing and we will update the market as we go.

A further non-cash impairment charge of \$5.2 million was recorded, primarily from the LATAM region. The impairment charge to the carrying value reflects inflationary cost pressures and uncertainties within this region. It is also due to the timing nature of the current business model within the LATAM region where gaming machines are initially placed under operation, which results in assets requiring assessment for impairment purposes despite the generation of increased participation revenue prior to the potential conversion to sale.

The Board has decided to continue to suspend the dividend policy and not declare a final dividend given the company's priority to ensure we maintain a strong financial position.



Slide 17 North America.

I'll now go through the regional review starting on page 17 with North America.

North America delivered good results primarily driven by strong product performance. High denomination games continue to be strengths of AGT in the United States. The Company has regularly delivered 5 of the top 25 performing games in this segment.

Historical Horse Racing (HHR) also made a material contribution to the results with the sale of 400 machines previously placed under participation at Kentucky Downs in Half 1 of FY22. This was one of the highlights of the year. New HHR installations in Kentucky, Wyoming, Louisiana and most recently New Hampshire also made initial contributions in the period. Newly approved HHR legislation in Kansas along with continued expansion in New Hampshire and Louisiana is expected to provide additional placement opportunities in this high-quality market.

Pleasingly, the recent Supreme Court Opinion in Texas will give us the long-term stability with one of our highest performing installations and provides a new opportunity at another Class II tribal location.

MTD is also performing better. Our latest game set combines the best-in-class games from both Ainsworth and MTD. It has been released in South Dakota and is leading the market.

Machines placed under participation and lease (including connection fees), which generate recurring revenue, contributed 45% of the revenues from this segment. With higher average selling prices, increase in recurring revenue and disciplined cost controls, segment profit rose to \$51.5 million versus \$39.1 million in the PCP, up 32%.

Slide 19: Latin America

Revenues in Latin America increased by 185%. It was our fastest growing region in these results. The recovery was driven by venue re-openings, and a significant increase in unit sales of over 200%. Demand continues to grow for the A-STAR™ range of cabinets and top performing game themes such as Pan Chang, Rio Grande Los Toritos, and Multi-Win Games.

Higher Average Selling Prices in Half 2 contributed to the improved gross margins with 66% being achieved in FY22, compared to 61% in the PCP.

This improvement in revenue and margin drove the segment profit to \$20.8 million compared to a heavily pandemic impacted loss of \$8.6 million in the year before.

At 30th June 2022, a total of 3,818 units were under operation, generating \$16.8 million in recurring revenue, an increase of 147% on the PCP. Further revenue opportunities can be expected as markets continue to recover and purchasing decisions return to pre COVID-19 levels across the region.

Slide 20: Australia

AGT's domestic performance improved as the year progressed although revenues overall were impacted by the lockdowns in NSW and Victoria early in the period. Annual revenues were effectively flat at \$38.9 million.

There was recovery as the year progressed with Half 2 revenue at \$22.2 million compared to \$16.7 million in the prior half, and segment profit increased by 158% compared to the PCP, driven by market recovery and better margin achieved through improved production recoveries.



Encouragingly, in Queensland, revenues in Half 2 of FY22 increased by 26% compared to Half 1 of FY22 and 36% for the full year compared to the PCP. An increase in unit sales drove the growth, which assisted to offset reductions resulting from regulatory changes introduced in Victoria and South Australia which generated additional revenue in the PCP.

Average selling prices remained consistent despite competitive market conditions. Overall, game performance improved across all domestic markets, a key priority at AGT, with both Cash Stacks and Treasure Spirits series showing sustained performance. Segment profit improved to \$6.2 million compared to \$2.4 million in the PCP.

Slide 21 Rest of World including Online

The Rest of the World segment, which includes our Online operations, reported a slight improvement in revenue to \$14.0 million with online revenues contributing 69% of the segment total, compared to 43% in the PCP.

This increase in online revenue assisted to offset reduction in land-based sales in New Zealand where pandemic related lockdowns impacted activity levels. Higher margin online revenues enabled segment profit to increase 38% to \$9.1 million compared to \$6.6 million in the PCP.

I'll now hand over to Mark to go through the balance sheet and cash flow.

MARK LUDSKI, Chief Financial Officer (CFO)

Slide 14: Balance sheet

As Harald has pointed out, AGT's priority is to maintain a balance sheet to support product and technology investments to increase competitiveness and be able to fund working capital to support revenue growth.

On page 14, you'll see we closed the half with a net cash position of \$50.3 million. This is a significant improvement on the PCP but also the balance sheet at the end of the first half of the year. We had a net cash balance of \$32.2 million at the end of December. Of the \$17.3 million of PBT, excluding currency and one-off items that we recorded in Half 2, we converted net cash of \$18.1 million in the second half. That's over 100% cash conversion.

The company has over \$311 million of net assets and effectively no debt.

The receivables closing balance of \$112.7 million was a decrease of \$3.7 million due to good cash collections. Encouragingly, customers are recommencing payments in Latin America as the market recovers.

Slide 15 Cash Flow

Turning to slide 15, we enjoyed a strong recovery in cash flows in FY22. Operating cash flow increased to \$51.3 million from \$22.2 million in the PCP.

Maintenance Capex remains low at \$1.7 million, compared to \$2.2 million in the PCP.

We spent \$3.8 million on development expenditure and repaid over \$39.1 million of debt.

This is the strongest financial position we have had for quite a long time.



I'll finish by noting from the 1st January 2023, the Company's financial year end will change from 30 June to 31 December, a calendar year basis. The Company will have a six-month transitional financial year beginning on 1st July 2022 and ending on 31st December 2022.

I will now hand you back to Harald for some concluding remarks.

Harald Neumann, CEO

Slide 31 – Conclusion

Thank you, Mark.

As I said at the beginning, our results for the year are much improved driven by a strengthening in game performance and recovery in many of our major international markets.

AGT's performance continued to improve as the year progressed. If we adjust the results in Half 1 for currency, one offs and the large 400-unit sale to Kentucky Downs, you can see profit before tax in Half 1 was \$3.1 million. This compares to \$17.3 million in the second half. That shows you the scale of the improvement.

We enter the second half of calendar year 2022 with good momentum. We expect to have continued growth in North America, further improvements in the Latin America markets and steady performance from Australia.

AGT's North American business continues to make progress in both Class II and Class III markets. Opportunities are continually being pursued in existing and new HHR markets, in particular New Hampshire, Louisiana and Wyoming.

While our domestic performance does not yet reflect our potential, I am encouraged with the changes we have initiated and the investments we have made to fundamentally upgrade and further improve game performance which we expect to deliver further improvement in our results.

We will continue to leverage our key strengths of AGT's trusted brand, our highly capable staff, the company's enduring commitment to developing superior game technologies and our customer relationships across our major markets.

Importantly, we are also strengthening AGT for sustained success. As I have said before, we fundamentally need to improve the outputs of our R&D investments. We need to lift the competitiveness of our product. We need to offer more value and entertainment to our customers. And we need an organizational structure and balance sheet to support these strategies.

Since we last spoke, we have established a new global organizational structure with new product leadership and clear lines of accountability. Management has also implemented a range of measures focusing on technology, development, and culture to improve product performance, lift staff retention rates and enhance AGT's ability to attract world class development talent. This is key to our long term sustained success and I look forward to updating you as we make continued progress.

As I mentioned, the date of achieving a final resolution with the Mexican Tax Administration Service (SAT) remains uncertain and the Company will ensure that the market is kept updated for all future material developments relating to this matter.

Before I close, I would like to finish by thanking the Board, all my colleagues at Ainsworth for their contributions to these results and our customers for their trust and support.

Thank you for your time today I will now hand back to the operator to open up the lines for Q&A. Thank you operator.

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