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**Ainsworth Game Technology Limited
Half Year Results to 31 December 2019 (H1FY20)**

Strengthening AGT for long term results - transition underway

Ainsworth Game Technology Limited (AGT) today announced an audited Loss after Tax of \$4.0 million for the six months ended 31 December 2019.

Excluding currency and one-off items, AGT reported an underlying loss before tax of \$0.2 million for this half. Encouragingly, this result is ahead of the \$4 million loss we guided to at the 2019 Annual General Meeting (AGM) in November.

Revenues for the half year were \$107.3 million, down 9%. Underlying EBITDA, adjusting for currency, and significant items outside ordinary business activities, and the \$1.3 million benefit from the adoption of AASB16 the new accounting standard for leases, was \$17.2 million, a decline of 28% on the prior corresponding period.

AGT's international businesses delivered a resilient contribution in competitive markets. Revenues declined by 6% in North America and by 8% in Latin America. International sales account for 82% of the group total.

Domestic revenue of \$19.5 million was consistent in the current period compared to the prior corresponding period, in the run up to new product releases. However, intense competition and product mix changes caused a reduction in gross margins and overall profitability.

In line with the strategy to increase the quality of earnings, AGT delivered solid growth in the number of machines on participation, which generate recurring revenues. Total units under operation were 6,604, an increase of 6% on the prior corresponding period.

Chief Executive Officer, Mr Lawrence Levy said, "At the AGM in November we laid out our six key priorities to strengthen AGT to deliver improved results. I am pleased to report we are making progress on each of these measures.

The transition is in progress to make AGT more profitable and efficient. We are re-evaluating R&D, increasing our game development resources, sharpening our sales and marketing focus and complementing organic growth with selective acquisitions. We are busy building the foundations and expect return to profitability to deliver a positive net profit in the second half of FY20, with better results in FY21."



The design of AGT's new dual screen and curved screen hardware cabinet, A-Star, has been completed and production is underway. In a synchronised global release, new sales have now commenced across all global markets.

We are making good progress in upgrading our game development capabilities to accelerate the timely release of a greater number of quality titles. AGT is committed to listening to customers and delivering new product to meet the needs of the market. Research and development investments increased to 20% of revenue compared to 16% in the prior corresponding period.

In December we signed an agreement with Ingenuity Gaming, an industry respected creative studio based in India, to assist in developing new art clones and game derivatives of successful Ainsworth titles. Ingenuity provides dedicated, competitively priced talent that will enable Ainsworth's internal game development team to focus on new game concepts.

We have engaged game design specialists in Sydney with a proven track record of success. In addition, we have hired experienced talent to lead on product strategy for the domestic market. In the Americas, we have engaged an experienced resource from the casino industry to lead marketing and product strategy in the Americas. This increase in product capability and development experience should generate good long term returns for shareholders.

In the US, our largest market, we have streamlined AGT's sales and marketing structure to improve agility and efficiency. With regional specific sales strategies including tailored pricing and terms, and market entry promotions, we are focused on driving growth in both Class II and Class III markets.

As we outlined at the AGM, we are also working on leveraging our strategic partnership with Novomatic. Discussions have been undertaken to enter new markets together, identify game product to port to AGT cabinets and share content on online platforms. This partnership has the potential to deliver significant benefits for shareholders.

The financial results for the half year ended 31 December 2019 are summarised as follows:

Amounts expressed in A\$ millions <i>(unless otherwise stated)</i>	H1FY20 statutory	H1FY20 Underlying adjusted for AASB 16 Leases	H1FY19 underlying	Movement of underlying results %
Revenue	107.3	107.3	118.0	(9%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	14.6	13.3	29.7	(55%)
Underlying EBITDA ⁽¹⁾	18.5	17.2	23.9	(28%)
Earnings before interest and tax (EBIT)	(4.6)	(4.7)	13.1	(136%)
(Loss) / profit before tax	(4.1)	(3.8)	14.7	(126%)
Underlying (loss) / profit before tax ⁽²⁾	(0.2)	0.1	8.9	(99%)
(Loss) / profit after tax	(4.0)	(3.8)	12.1	(131%)
Earnings per share (basic) – dollars	(\$0.01)	(\$0.01)	\$0.04	(125%)

⁽¹⁾ Underlying EBITDA adjusted for currency impacts and significant items outside ordinary business activities

⁽²⁾ Underlying loss before tax adjusted for currency impacts, significant items outside ordinary business activities and AASB 16

Results Summary

- Sales revenue for H1FY20 was \$107.3 million, a decrease of 9% on the prior corresponding period
- Sales revenue from international markets decreased by 11% to \$87.8 million. International sales account for 82% of the group total.
- Revenue in the Americas fell by 7% for the year with North America 6% lower and Latin America 8% lower. Declines in unit volumes were the main factor, -18% and -13% respectively.
- Domestic sales were resilient as we transition to the new hardware and product suite. Sales were down by 1% to \$19.5 million.
- Revenue from participation and leased machines under operation was \$24.7 million. These recurring revenues account for 23% of group total
- Units under gaming operations for the period were 6,604, an increase of 6% from the prior corresponding period.
- 2,938 units sold in H1FY20, a decrease of 20%. Sales of units increased in Australia, +2% although decreased in North America, -18%, Latin America, -13% and in the Rest of the World -82%.
- Group EBITDA was \$14.6 million, a decline of 51% on H1FY19. The introduction of AASB16 Leases was adopted in the period. Under the new standard statutory EBITDA increased by \$1.3 million. Interest expense increased by \$0.4 million and depreciation and amortisation rose by \$1.2 million.
- Results include the \$3.6 million of non-recurring costs associated with the settlement of all legal matters and a \$0.6 million non-cash impairment loss on receivables.
- EBITDA margins were 14% compared to 25% in H1FY19
- Gross profit was \$66 million, a fall of 8%. Gross margins increased by 1% to 62% reflecting ongoing efficiency improvements
- Operating costs were marginally lower at \$64.0 million on a constant currency basis, compared to \$64.2 million in the prior corresponding period
- R&D expenses increased to \$21.4 million, representing 20% of group sales in the half, compared to \$19.1 million, 16% in the prior corresponding period prior corresponding period
- Sales and marketing expenses were broadly stable at \$33.3 million.
- Headcount in Australia and the Rest of the World was carefully controlled at 305, a reduction of 17 FTE on the prior corresponding period. Headcount in the Americas was consistent at 260 compared to 261 in the prior corresponding period
- Cash flow from operations reduced to \$17.9 million. Under AASB16 \$1.3 million of cash costs previously reclassified as operating activities has now been reflected as financing activities
- AUD26.8 million of borrowings were retired in H1FY20. Total net cash at 31st December was \$13 million
- The Board continues to maintain a conservative approach to balance sheet leverage with debt to EBITDA at 0.88 times at the end of the year
- Given AGT's transition to a new hardware and game product suite and implemented initiatives in Research and Development, the Board has resolved to defer the reinstatement of the dividend policy at the present time

North America

- AGT delivered a consistent profit performance in the key North American market with profitability at \$21.3 million, a slight decrease of 1% on the prior corresponding period.
- Revenues declined by 6% to \$50.7 million due mainly to the lower number of unit sales, 1,104, down 18%, and a 6% decline in average selling prices given competitive market challenges.
- EBITDA was 1% lower at \$26.6 million.
- The number of units on participation increased modestly to 2,336, a rise of 1%.
- Yield per day was US\$25, reflecting the mix of premium product in the fleet.
- AGT's US management structure has been reorganised. The role of President, North American operations has been combined with the role Senior Vice President, Sales and Marketing to ensure a more agile and customer facing focus

Latin America

- In the transition period to new hardware and software AGT's revenues were \$32.8 million, a reduction of 8%.
- Profitability declined by 33% to \$8.9 million.
- In challenging economic conditions in the region, specifically Argentina, Peru, Columbia and Chile, unit volumes fell by 13% to 1,205 although Average Selling Prices were modestly higher at US\$16,700 as AGT maintained pricing discipline.
- Units under gaming operations increased strongly, up 9% to 4,268. Yield per day was US\$10.

Australia

- Australia delivered a resilient performance as we continue to make progress in transitioning to new hardware and software.
- Domestic revenue was \$19.5 million, a decrease of 1% on the prior corresponding period.
- Profit was \$1.4 million.
- Unit volumes increased to 556, a rise of 2% compared the prior corresponding period.
- The design of AGT's new dual screen and curved screen hardware cabinet, A-Star, has been completed. As at 31st December 369 units had been manufactured and shipped to the Las Vegas facility for sales in the Americas
- The new A-Star product was launched in Australia on 20 February with new sales having commenced. A new look regionalised web site has been completed and will be launched during H2

Rest of the World

- Disappointing results with revenues down by 51% to \$4.3 million with lower results in Asia and Europe
- Profit down by 56% to \$2.2 million
- Unit volumes fell sharply to 73 from 409 (includes 300 kits to Novomatic) in the same period last year.
- AGT is looking to leverage its strategic partnership with Novomatic to drive additional revenues in new markets in the region. Research is underway to assess new market opportunities in Europe for AGT's market leading Historical Horse Racing and Class II games.



Online Gaming

- The license agreement with Zynga was renewed to provide additional game content.
- In the US regulated real money gaming markets, Mustang Money continues to increase its player base. AGT is reviewing opportunities to expand this brand into Latin America via new partner contracts.
- Content sharing agreement with Novomatic
- Expanding AGT content online including more than 40 new land-based titles

This announcement was authorised for lodgement by the Board of Directors.

Ends

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