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Ainsworth Game Technology Limited
Full Year Results to 30 June 2018 (FY18)

Strategies to expand international footprint, invest in technology and drive higher quality earnings

Ainsworth Game Technology Limited (AGT) today announced an audited Profit after Tax of $31.9 million for the year ended 30 June 2018. On a pre-currency basis, Profit before Tax (PBT) was $39.2 million, exceeding the original $36.0 million guidance and slightly ahead of the upgraded guidance provided. Ainsworth delivered an improved second half performance, with $23.0 million PBT, an increase of 68% on the $13.7 million reported in the first half, excluding the $2.5 million profit on sale of land.

Chief Executive Officer, Mr Danny Gladstone said, "We are pleased to deliver FY18 results slightly ahead of our upgraded guidance. Our performance continues to show signs of improvement and is a direct result of the strategies implemented to expand our international footprint, invest in technology to enhance our product suite, and build our participation fleet to improve the quality of our earnings.

International sales now account for 76% of the group total. In North America, the cornerstone order to deliver 900 Historical Horse Racing machines to Churchill Downs Incorporated (CDI) in Kentucky in the second half was a result of investment undertaken over several years leveraging off technology acquired from Nova Technologies. Our proprietary, Historical Horse Racing system is expected to provide further opportunities in new markets, as well as scope for further collaboration with CDI.

Underpinning our performance, the total number of machines on lease and participation grew by 10% to 5,852. These machines generate daily recurring revenues. In Latin America the participation fleet increased by 23%.

Ainsworth's commitment to R&D is the solution to the intense competition we face in our markets. Customers are responding well to the array of new games shown at the Australian Gaming Exhibition earlier this month with further opportunities to show case these products at the Global Gaming Expo (G2E) in Las Vegas in October 2018.

We are seeing encouraging early signs of improving market share in the challenging domestic market. In June, in New South Wales, we had 15% share of new installations, more than double our average for the year. We enter FY19 with confidence of further improvements as our newly launched game titles continue to outperform house averages.

Strong cash flow is another pleasing feature of these results. Cash from operating activities increased to $18.4 million, up from $5.2 million in the prior year. This cash flow allows us to fund our technology growth initiatives, retire debt and provide returns to shareholders through dividends. As a sign of confidence, the Board declared a 2.5 cents per share fully franked final dividend.

Outlook

Mr Gladstone said. "While we recognise the intense competition we face across our markets, we are confident AGT can outperform relative to its size. We continue to invest and create new product offerings to reclaim market share in traditional Class III and II gaming markets, whilst pursuing new opportunities including the recently released Historical Horse Racing products.

We will continue to judiciously invest our cash flow in product improvements and innovation, and sales and marketing while retiring debt and rewarding shareholders. In FY19 we expect to release a new suite of products which should assist in translating to improved financial results."

An update on the first half trading expectations for FY19 will be provided at the Company's Annual General Meeting to be held on Tuesday 27 November 2018.

The financial results for the year ended 30 June 2018 are summarised as follows:

Amounts expressed in A$ millions *(unless otherwise stated)*	**FY18**	**FY17**	**Movement %**
Revenue	265.6	282.1	(5.8%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	68.0	70.3	(3.3%)
Underlying EBITDA(1)	67.6	84.1	(19.6%)
Earnings before interest and tax (EBIT)	40.0	44.5	(10.1%)
Profit before tax	42.3	46.9	(9.8%)
Profit after tax	31.9	37.9	(15.8%)
Normalised Profit after tax(2)	31.4	50.0	(37.2%)
Earnings per share (diluted) – dollars	$0.09	$0.12	(25%)
Dividends per share (fully franked) - dollars	$0.04	-	100%

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

(2) Normalised profit after tax excluding currency and amortisation of acquired intangibles

Results

- Sales revenue for the FY18 was $265.6 million, a decrease of 5.8% on the prior corresponding period.
- Sales were higher in the second half of the year at $145.3 million compared to $120.3 million in the first half.
- Consistent with the Group's strategy to increase sales in key offshore markets, international revenues increased to 76% of the total, climbing to 82% in the second half.
- Revenue in the Americas grew by 3% for the year with North America increasing by 4% and Latin America stable.
- Domestic sales declined 14%. Golden Cash, launched in May, boosted ship share of new installations in the primary NSW market to 15% in June, more than twice our average for the year.
- Revenue from participation and leased machines under operation was $45.9 million. These recurring revenues account for 17% of group total.
- Units under gaming operations for the period were 5,852, an increase of 10% from the pcp.

- 9,714 units sold in FY18, a decrease of 9%. Sales of units decreased in North America, -3%, in Australia, -17% but increased in Latin America, +4%.
- Group EBITDA was $68.0 million, a decline of 3% on FY17.
- Results include the $2.5 million gain on sale of land in Nevada reported in the first half and $5.2m of one off costs in the second half; $2.7 million impairment loss on receivables and $2.5 million reduction in carrying value of 616 Digital.
- EBITDA margins increased to 26% in the year, up 70 basis points from FY17.
- Gross margins at 59.0%, broadly consistent with 60.3% in FY17.
- Operating costs were carefully managed and maintained.
- R&D expenses were maintained at $34.4 million.
- Sales space and marketing expenses increased by 14% to $59.6 million, with majority increases in costs in the Americas.
- Headcount in Australia and the Rest of the World segment fell slightly to 337 (-2). Headcount in the Americas increased by 19 to 260 reflecting our growth opportunity.
- Cash flow from operations increased to $18.4 million ($5.2 million in FY17). Total cash held also increased to $35.7 million, a rise of $14.6 million.
- The Board continues to maintain a conservative approach to balance sheet leverage with debt to EBITDA at 1.05 times at the end of the year, down from 1.08 times at the end of the first half.
- Given the results and AGT's strong financial position, the Board resolved to maintain the dividend policy of returning profits to shareholders.
- The Directors declared a 2.5 cents per share final dividend fully franked with NIL Conduit Foreign Income (CFI). This makes a total dividend of 4 cents per share for the year which represents a payout ratio of 42%, within the 40% – 60% stated range.

North America

- AGT continues to grow its presence in the key North American market with revenues increasing by 4% to $105.7 million.
- Profitability was down by 9% to $40.7 million.
- Lower unit sales and a small decrease in the number of units on participation affected margins.
- Unit sales were 3,021 compared to 3,105 last year.
- Large order of 900 units with our specifically designed proprietary Historical Horse Racing product delivered to CDI in Kentucky in 2H FY18.
- The new EVO™ cabinet is to be launched at G2E with fifteen new game titles.
- The number of machines on participation fell by 3% to 2,583.
- Yield per day increased to $25, from $22 due to premium for PacMan ™ licensed product
- Joseph Bertolone commenced as President of AGT North America on June 1st, based in Las Vegas.

Latin America

- Revenues were stable at $78.7 million ($78.5 million in FY17).
- Profitability declined by 19% to $30.6 million.
- Given challenging economic conditions in the region, AGT satisfied market demand for cheaper priced product by selling a higher mix of second hand machines and machines previously on participation in the period. These second hand machines have a lower average selling price and margin. These sales reduced inventory and is expected to create replacement demand for new higher priced product elsewhere.
- Units under gaming operations increased strongly, up 23% to 3,269.

- Sales of units increased by 4% to 3,322.

Australia

- Domestic revenue was $63.6 million, a decrease of 14% on the pcp.
- Profit was $19.4 million.
- Market share in New South Wales increased to 15% in June, more than twice the average for year as the new EVO™ cabinet and Gold Cash/Link game launched in May, gain market traction. Further market share gains are expected.

Rest of the World

- Revenues down by 37% to $17.6 million with lower results in Asia, Europe and New Zealand
- Profit down by 31% to $10.4 million.
- Novomatic contributed revenue of $6.8 million and profit of $4.4 million. 1,000 kits were delivered in the year.
- Unit volumes fell to 1,215 compared to 1,807 last year.

Online Gaming

- Strategy in regulated real money gaming markets focuses on expanding content offerings in North and Latin America, especially New Jersey and Mexico.
- Expanding AGT content online including more than 40 new land-based titles.
- Completed development of 40 AGT slot titles for Novomatic's social casino platform for North American land-based casinos.
- Reduced carrying value of 40% share in 616 Digital by $2.5m reflecting increased competition from market leaders.

A Dividend Reinvestment Plan (DRP) will be available to shareholders offering the opportunity to take their dividend in new shares. The DRP is available to view on the Company's website: AGI- Dividend Reinvestment Plan.

The key dates for the declared dividend and DRP are as follows:

Shares trade ex-dividend	Thursday, 4 October 2018
Record date	Friday, 5 October 2018
Entitlement date	Friday, 26 October 2018
DRP price determination date	Monday, 29 October 2018
Payment date	Wednesday, 7 November 2018

Ends

For further information please contact:

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