

**Ainsworth Game Technology Ltd**

ABN 37 068 516 665

10 Holker Street  
Newington NSW  
Australia 2127Tel: +61 2 9739 8000  
Fax: +61 2 9737 9483[www.agtslots.com.au](http://www.agtslots.com.au)

26 February 2019

**ASX Release****ASX Code: AGI****Ainsworth Game Technology Limited  
Half Year Results to 31 December 2018 (“H1FY19”)****Continued execution of clear strategies: grow international revenues, invest in technology and drive higher quality earnings**

Ainsworth Game Technology Limited (AGT) today announced an audited Profit after Tax of \$12.1 million for the six months year ended 31 December 2018. On a pre-currency basis, Profit before Tax was in line with expectations at \$8.9 million.

Consistent with our key strategy to expand our offshore footprint, international revenues increased by 18% to \$98.3 million and now account for 83% of the group total.

Chief Executive Officer, Mr Danny Gladstone said ‘Given the challenges experienced in domestic markets, we have strengthened our focus on new product development to improve our competitive position. It is expected that a new product suite in Australia will be released in H2FY19, which should progressively enhance our customer offering. I am encouraged by early customer responses and expect these innovations to reenergise our disappointing domestic performance’.

Improving the quality of our earnings is another key priority at AGT. The participation fleet, which generates high quality, recurring revenues, continues to build with a 6% rise in units to 6,207 compared to 30 June 2018.

Mr Gladstone went on to say, “Though I am disappointed with H1FY19 results I expect that new game releases will improve performance on our installed base and create revenue opportunities. In 2019 while recognising the intense competitive landscape, we will continue to pursue development initiatives and actively recruit experienced game developers and utilise third party developers to harness the best of our internal capabilities with external expertise. This strategy is expected to create diversity in product offerings over time with an increased level of investment in R&D activities”.

North America was again an excellent performer for AGT with sales increasing by 40% and profit increasing by 47%. It is encouraging to see that when we design and implement long term growth strategies as we have here, our performance improves. We enjoyed significant growth in the half mainly due to sustained performance of the Quick Spin Product family on the impressive A640 cabinet. The mix of sales was also more profitable and with disciplined cost controls, margins expanded to over 40%.

We continue to consolidate our strong market position and deliver consistent results in Latin America. Revenue was 2% lower although profit increased by 1% to \$13.3m. We are pleased to maintain sound profitability across the region with Mexico, our largest market, delivering pleasing market share gains and robust results.

AGT's strong capital position is a pleasing feature of these results. Cash from operating activities increased to \$30.8 million, up from \$6.9 million in the prior year. With an improved working capital position, we now have over \$51m of closing cash on the balance sheet. This strength allows us to invest in technology and retire debt.

## Outlook

Mr Gladstone said. "While we face intense competition across our markets we remain confident AGT can outperform relative to its size. We will continue to implement our strategies to grow international revenues and higher quality earnings. We will judiciously invest our cash flow in product improvements and sales and marketing to build market share in traditional Class III and II gaming markets.

We expect an improved profit performance in H2FY19 compared to the H1FY19 with continuing international momentum and the release of the new products expected to translate to improved financial results".

While we progress through this product transition, the Board has prudently determined to suspend the interim dividend. The Board maintains its stated policy and a decision on a final dividend is expected to be made at the time of releasing the FY19 results in August.

The Board also wishes to inform the market that the search process for a new CEO is progressing and that an Announcement will be released in due course.

The financial results for the half year ended 31 December 2018 are summarised as follows:

<b>Amounts expressed in A\$ millions</b> <i>(unless otherwise stated)</i>	<b>H1FY19</b>	<b>H1FY18</b>	<b>Movement %</b>
<b>Revenue</b>	118.0	120.3	(2%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	29.7	24.6	21%
Underlying EBITDA <sup>(1)</sup>	23.9	26.9	(11%)
Earnings before interest and tax (EBIT)	13.1	10.8	21%
Profit before tax	14.7	11.8	25%
Profit after tax	12.1	9.7	25%
Normalised Profit after tax <sup>(2)</sup>	7.2	13.6	(47%)
Earnings per share (basic) – dollars	\$0.04	\$0.03	33%
Dividends per share (fully franked) - dollars	-	\$0.015	(100%)

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

<sup>(2)</sup> Normalised profit after tax excluding currency

## Results

- Sales revenue for the H1FY19 was \$118.0 million, a decrease of 2% on the prior corresponding period.
- Consistent with the Group's strategy to increase sales in key offshore markets, international revenues increased to 83% of the total, an increase on the 76% in FY18.
- Revenue in the Americas grew by 20% and now account for 76% of the group's total.
- Sales in North America increased by 40%, with Latin America down 2%.
- Domestic sales declined 47% in an intensely competitive market. In response, average selling prices fell by 6% and AGT took the decision to write down the value of older style cabinets by \$1.3m.

- Revenue from participation and leased machines under operation was \$20.9 million. These recurring revenues now account for 18% of the Group's total revenues.
- Units under gaming operations for the period was 6,207, an increase of 6% on 30 June 2018.
- 3,687 units sold in H1FY19, a decrease of 11% overall. Latin America was the highest unit volume region at 1,391 followed by North America at 1,342. Unit volumes fell to 545 in Australia.
- Sales of units increased in North America, 38%, and in the Rest of the World +16% driven by demand from Novomatic. Latin America declined, -10% and Australia was down -56% ahead of the new product releases in H2FY19.
- Statutory results include a \$5.8 million gain on currency movements given the stronger US dollar.
- Group EBITDA was \$29.7 million, an increase of 21% on H1FY18.
- EBITDA margins increased to 25.2% in the half, up 480 basis points from the pcp.
- Gross profit increased by 3% notwithstanding the increasingly sophisticated componentry in the new range of cabinets.
- Gross margins at 60.5%, an increase of 300 basis points on H1FY18.
- Operating costs increased to \$64.2 million, up 15% due a range of factors including increased depreciation on the larger participation fleet, and an adverse foreign exchange translation impact of -\$2.5m.
- R&D expenses were increased to \$19.1 million, to drive future sales growth.
- Sales and marketing expenses increased by 9% to \$32.3 million, with the increase in costs in the Americas.
- Cash flow from operations increased to \$30.8 million (\$6.9 million in H1FY18). Total cash held also increased to \$51.7 million, a rise of \$23.0 million.
- The balance sheet continues to strengthen with the leverage ratio (debt/EBITDA) at a conservative 0.88 times, down from 1.05 times at 30th June 2018 and 1.08 times at PCP.
- Profit before Tax, including currency movements was \$14.7 million, +25%.
- EPS increased to 4 cents per share from 2 cents per share.

## North America

- AGT continues to grow its presence in the key North American market with revenues increasing by 40% to \$53.8 million.
- Profitability increased by 47% to \$21.6 million.
- Higher unit sales and cost controls drove margin expansion to 40% (38% in the pcp).
- Unit sales were up strongly at 1,342, +38%. Average selling prices increased slightly (-+3%) in a very competitive market.
- The new EVO™ cabinet was successfully launched at G2E in the period with fifteen new game titles.
- The number of machines on participation was 2,303 a decline of 11% on 30 June 2018. Although the average yield per day increased to \$26, +4%, customers are choosing to purchase top performing titles from the fleet while reducing non-performing titles for optimal floor mix.

### **Latin America**

- Revenues were effectively stable at \$35.7 million (\$36.6 million in H1FY18).
- Profitability increased by 1% to \$13.3 million.
- Given continued geopolitical instability in the region, AGT continued to deliver strong and consistent results with profitability maintained throughout the region.
- Units under gaming operations increased strongly again, up 37% to 3,904, although the average yield per day declined modestly to \$12 reflecting the competitive landscape.
- Sales of new units fell by 10% to 1,391.

### **Australia**

- Domestic revenue was disappointing at \$19.7 million, a decrease of 47% on the pcg.
- Profit was down to \$2.0m including a \$1.3m one time, write off on older style cabinets.
- Reflecting intensely competitive market conditions, average selling price fell by 6% and unit volumes were down by 56%.
- AGT is transitioning to a new product suite in H2FY19, which is expected to reenergise performance. Early market feedback is encouraging.

### **Rest of the World**

- Revenues increased by 6% to \$8.8 with the major contribution from Novomatic in the half.
- Profit was down by 4% to \$5.0 million.
- Online contributed \$2.7 million of revenues, similar to pcg.
- Unit volumes rose by 16% to 409.

### **Regulatory Update**

- Since 1<sup>st</sup> July 2019, AGT has successfully secured new gaming licenses in Quebec and additional tribal gaming licenses in key commercial markets California, Iowa and Washington.
- In December 2018, AGT was appointed by the Federal Gaming Board (Switzerland) as an important partner of Novomatic.

### **Online Gaming**

- Portfolio strengthened in the online and mobile segments in both regulated real money gaming and social casinos.
- HTML5 remote gaming server (RGS) technology developed which enables all Ainsworth games to be available on desk top PC's, Apple iOS and Android devices.
- 56 approved and certified games available in Europe via the RGS servers.
- Signed an exclusive content partnership with GVC and MGM resorts in New Jersey. 20 games are currently undergoing final certification with New Jersey's Division of Gaming Enforcement.
- Launched AGT's first real money online casino in Mexico, Mustang Money.Mx which can be played throughout the Mexican regulated gaming market.

---

Ends

For further information please contact:

Pegasus Advisory

Michael Brown

Email: [mbrown@pegasusadvisory.com.au](mailto:mbrown@pegasusadvisory.com.au)

Mobile: 0400 248 080