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**ASX Release**

**ASX Code: AGI**

**Ainsworth Game Technology Limited  
Full Year Results to 30 June 2019 (“FY19”)**

**Leveraging industry footprint, scale and R&D to drive long-term growth**

Ainsworth Game Technology Limited (AGT) today announced an audited Profit after Tax of \$10.9 million for the year ended 30 June 2019. Profit before Tax, excluding currency and one-off items was \$13.0 million on revenue of \$234.3 million

Consistent with our key strategy to expand AGT’s footprint in our largest market, North America delivered another excellent result with revenues of \$114.0 million, an increase of 8% and profits at \$47.1 million, a rise of 16%. Revenue growth was driven by increased sales of the high performing Quick Spin Product family on the A640 Cabinet. An improved product mix and overhead containment drove operating leverage and profit growth.

International revenues were similar to FY18 at \$198.2 million and now account for 85% of the group total.

We continue to benefit from our strong market position in the challenging Latin American markets. Revenue was \$72.7 million, down by 8%, and profit decreased by 22% to \$24.0 million. This region was impacted by a deterioration in gaming operation yields due to local currency devaluations and a greater proportion of refurbished machine sales in the current period.

AGT’s performance in domestic markets continued to be adversely impacted by product performance and competitive pressures. Revenue was \$36.1 million, a decrease of 43% and profits were \$2.8 million. New products recently released at the Australasian Gaming Exhibition in August are receiving positive customer endorsements and are expected to improve product performance and create sales opportunities.

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 16% rise in units to 6,806 compared to 30 June 2018. Units in Latin America increased by 41% with a 15% decline in North America as customers purchased top performing products from the fleet.

AGT’s capital position has strengthened. Cash from operating activities increased strongly to \$61.2 million, up from \$19.2 million in the prior year. With an improved working capital position assisting cash flow, we have retired USD 14.5 million of debt in the year. AGT now has net cash of \$6.2 million on the balance sheet, compared to net debt of \$36.2 million in FY18. This capital strength allows us to invest in technology and self-fund our growth strategies.

Mr Lawrence Levy commenced as the new Chief Executive Officer on 1 July 2019.

Mr Levy highlighted, “I am confident AGT can drive improved long term growth by leveraging its excellent reputation, focusing R&D and complementing organic performance with selective acquisitions.

My initial observations as the new CEO are that we have a strong footprint in major markets, scale and growing recurring revenues. With an increased focus on investing in game technology and new product development, I expect our domestic performance to progressively improve and our international success to continue.”

### Outlook

Mr Levy said. “While the FY19 results are relatively weak, AGT is capable of delivering improved performance. We have a professional and motivated workforce, an excellent industry reputation and a well-established footprint across all our markets. We have initiated a review to re-evaluate and focus our R&D investments to develop successful new innovative products to drive long-term growth”.

As AGT is evaluating or R&D investments and growth opportunities, the Board has prudently determined to suspend the final dividend.

<b>Amounts expressed in A\$ millions</b> <i>(unless otherwise stated)</i>	<b>FY19</b>	<b>FY18</b>	<b>Movement %</b>
<b>Revenue</b>	234.3	265.6	-12%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	44.8	68.0	-34%
Underlying EBITDA <sup>(1)</sup>	43.0	67.6	-36%
Earnings before interest and tax (EBIT)	11.4	40.0	-72%
Profit before tax	14.7	42.3	-65%
Profit after tax	10.9	31.9	-66%
Earnings per share (diluted) – dollars	\$0.03	\$0.09	-67%
Dividends per share (fully franked) - dollars	-	\$0.04	N/A

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

### Results

- Sales revenue for the FY19 was \$234.3 million, a decrease of 12% on the prior corresponding period.
- Consistent with the Group’s strategy to further expand its footprint in key offshore markets, revenue in North America increased by 8%. Total international revenues increased to 85% of the total.
- Domestic markets remained intensely competitive with sales declining 43%.
- Revenue from participation and leased machines under operation was \$46.0 million. The number of units increased by 16% to 6,806 on 30 June 2019, generating recurring revenues.
- Sales of units were similar to last year in North America, -2%. Latin America declined by 12% and Australia was down -55%.
- North America was the highest unit volume region at 2,952 followed by Latin America at 2,931. Unit volumes fell to 978 in Australia.
- Statutory results include a net \$6.0 million gain on currency movements given the stronger US dollar.

- AGT also reduced the balance sheet value of the 616 digital assets with a \$1.9 million impairment and the value of the Australian service goodwill by \$2.4 million given lower unit sales.
- Group EBITDA was \$44.8 million, a decrease of 34% on FY18.
- EBITDA margins were 19% for the year. Segment profit increased to 41% in North America however was offset by declines experienced in Latin America and Australia.
- Gross margins at 59.7%, a slight increase on 59.0% in FY18.
- Strategically, AGT significantly increased investment in R&D to assist in the commercialisation of new products and achieve sales growth over coming periods. R&D spend increased by 17% to \$40.4 million.
- Operating costs increased to \$130.3 million, up 11% due to these investments, an increased depreciation charge on the larger participation fleet, and an adverse foreign exchange translation impact of -\$5.8 million.
- Profit before Tax, including currency movements was \$14.7 million.
- Reported EPS reduced to 3 cents per share from 9 cents per share.
- The interim and final dividends for the year have been suspended to support the improvement in the Company's financial position and future growth investments.
- Cash flow from operations increased strongly to \$61.2 million (\$19.2 million in FY18).
- Improved collections reduced receivables to \$148.6 million (- 23%).
- USD 14.5 million of debt was repaid in the year.
- Cash at June 30<sup>th</sup> was \$61.7 million, a material increase from \$35.7 million at the prior corresponding date.
- AGT's balance sheet continues to strengthen with net cash of \$6.2 million, compared to net debt of \$36.2 million at the end of FY18. This financial strength supports an increase in R&D investments to drive organic growth, complemented with selective acquisitions.

### **North America**

- AGT delivered another excellent performance in North America with revenues increasing by 8% to \$114.0 million.
- Revenue growth was driven by increased sales of the high performing Quick Spin™ Product family on the A640 cabinet.
- Profitability increased by 16% to \$47.1 million. Higher margin product mix and overhead containment assisted.
- Operating leverage drove further margin expansion to 41% (39% in the pcp).
- Unit sales were 2% lower at 2,952 although the FY18 year was inflated by the sale of 900 machines to Churchill Downs Incorporated. Adjusting for this contribution, underlying unit volumes grew by 39%.
- Average selling prices decreased slightly (-3%) given competitive market conditions.
- The number of machines on participation was 2190 (Class II: 1,009 and Class III: 1,181) a decline of 15% 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**

- AGT continued to deliver strong results in a challenging market with political elections and introduction of new gaming taxes affecting economic conditions.
- Revenues declined by 8% to \$72.7 million. Profitability decreased by 22% to \$24.0 million.
- Legacy game performance is strong, providing continued profitability across key markets.
- Units under gaming operations increased strongly again, up 41% to 4,616.
- The average yield per day declined to \$10 due to unfavourable currency movements and lease to sale conversions of high performing products.
- Sales of units fell by 12% to 2,931 and included a greater proportion of refurbished units compared to the pcp.

**Australia**

- AGT is transitioning to a new product suite over the coming months, which is expected to improve game performance and regain market share declines. Domestic revenue was disappointing at \$36.1 million, a decrease of 43% on the pcp. Challenging market conditions and lower than expected product performance in the period led to weak results.
- Profit was down to \$2.8 million given reduced fixed overhead recovery.
- Results included a \$2.4 million impairment on Service assets given lower unit volumes and a \$2.6 million write off on older style cabinets.
- Unit volumes were down by 55%.
- Average selling price was stable at \$22.8K.
- New products such as Electric Cash™, Lucky Break™, Money Up™ and Loaded with Loot™ are expected to deliver improved contributions in FY20.

**Rest of the World**

- Revenues fell by 35% due to the reduced contribution from Novomatic compared to the pcp and challenging market conditions in New Zealand and Asia.
- Profit was down by 35% to \$6.8 million.
- Online contributed \$4.2 million of revenues, similar to pcp.
- Unit volumes declined by 64% to 438.

**Online Gaming**

- AGT's online strategy is to focus on content distribution, interactive product innovation and building player databases with live data capabilities throughout online markets in Europe and the Americas.
- 62 games developed and approved for online distribution throughout regulated territories in Europe, the USA and Latin America in FY19.
- New content distribution agreements with third party multi-channel platform providers and casino operators throughout Europe.
- 20 games now approved in New Jersey with platform provider GVC for PlayMGM online.
- Our new B2C casino, Mustang Money, continues to grow our player database and revenues to plan. Social media advertising positions our brand as a premier online wagering offering in Mexico.

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