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Ainsworth Game Technology Limited (AGT) – Full Year Results to 30 June 2020 (FY20)

Well positioned as customers across our major markets look to recover from the pandemic

Ainsworth Game Technology Limited (AGT) today announced subject to final audit, a Loss after Tax of A$43 million for the twelve months ended 30 June 2020. Excluding currency and one-off items (including acquisition related expenses and impairment charges) the loss before tax was A$34 million for the year.

These results were severely impacted by Covid-19 primarily in quarter 4, traditionally the strongest period for the Group. Customers across all of our major markets suspended their operations from mid-March. AGT's priorities are the health and well-being of its employees and the preservation of shareholders' funds, with operations providing flexibility for staff to continue working safely and remotely in affected regions.

AGT implemented a series of cost saving measures to ensure the Company can endure a protracted downturn. In addition to voluntary salary and other overhead reductions, the Group has reduced employee numbers by eliminating 107 roles at an annual cost saving of approximately A$10 million, which is expected to carry forward into FY21.

Research and Development (R&D) expenditure of A$41.2 million represented a minor increase of 2% compared to the previous corresponding period in 2019. Excluding amortisation of development previously capitalised, R&D was A$34.0 million compared to A$34.7 million in 2019, a 2% decrease. Despite the initial reduced working hours introduced within R&D areas, a gradual re-introduction of normal working hours has occurred to ensure that timely approvals of new games are achieved in preparation for when markets fully recover from COVID-19.

The Company has also focused on liquidity and balance sheet strength throughout the period. AGT reported A$26.5 million of cash at 30 June 2020. AGT's debt facility with ANZ has been reduced to A$60 million and restructured, with previous covenants being replaced with maintenance of minimum liquidity levels and quarterly sales targets.

Encouragingly, some customers' facilities have started to reopen, although the majority of venues have indicated initial reductions in capital expenditure due to travel restrictions imposed and resultant impact on visitations, which are well below pre-pandemic levels. With a rationalised cost base, together with the new AStar® range of cabinets incorporating a newly developed suite of game brands, AGT it is well positioned as customers progressively resume more typical business levels.

Chief Executive Officer, Lawrence Levy commented, "While the Covid-19 pandemic hit our industry hard, we moved quickly to protect Ainsworth. We took proactive measures to streamline our overheads and restructure previous financing arrangements to ensure we can endure the current downturn. AGT is well positioned as customers across our major markets look to recover from the effects of the pandemic."

FY20 Results

- Revenues of A$149 million, a decline of 36% versus the prior financial year.
- H2 FY20 revenues impacted by COVID-19, A$42 million compared to A$116 million in the prior corresponding period; a decline of 64%.
- Positive adjusted EBITDA A$3 million (excludes one-off impairment charge).
- Adjusted net loss before tax of A$34 million – excludes the impacts of foreign exchange movements, one-off costs including any impairment charges, JobKeeper and costs associated with the acquisition of MTD, which was completed in March 2020.
- Included in the FY20 results are 67 redundancies (23 in Australia and 44 in the Americas) at an annualised cost saving of A$6.4 million. As noted above, an additional 40 roles have been eliminated at a cost saving of A$3.8 million per annum.
- Net debt of $A17.5 million as at 30 June 2020.
- In addition, on review of the Latin American Cash Generating Unit (CGU) a one-off (non-cash) impairment of A$12 million was recognised in FY20.
- The FY20 final dividend has been cancelled to ensure the Company is well placed should a protracted downturn eventuate.

Regional Review

North America

North America region reported revenue of A$72 million, compared to A$114 million the previous corresponding period in 2019, a decline of 37%. Participation revenue fell by A$5 million due to the closure of venues in quarter 4 of FY20. This revenue decline was predominately due to reduced outright unit sales expected following the intended launch of the new AStar® Curve cabinet at the National Indian Gaming Association (NIGA) Trade Show in April 2020, which was cancelled due to the pandemic. These orders are likely to be deferred into FY21.

Reduced operating costs, primarily headcount, across all divisions was initiated to mitigate reduced Class III outright sales and participation revenue. It is expected that further sales opportunities through outright sales of Class III products will occur as the effect of the pandemic eases, with additional 850 Historical Horse Racing (HHR) units under contract in H1 FY21. These units are a combination of outright sale and under operation, with continued growth in established HHR operations within Kentucky and other authorized jurisdictions.

Latin America

Regional revenues for Latin America were A$42 million compared to A$73 million in the corresponding period in 2019, a reduction of 42%. This region continues to be severely impacted by closures across the primary markets of Mexico, Argentina and Peru. Reduced participation revenue and the delayed launch of new AStar® hardware have impacted operators across the region which is expected to continue into H1FY21 with progressive recovery in H2FY21.

An impairment review of this Cash Generating Unit (CGU) has resulted in a re-evaluation of working capital assumptions due to extended payment terms provided to customers and reduction in revenue projections which has resulted in a one-off (non-cash) impairment charge of A$12 million, subject to audit finalisation.

Australia and Rest of World

Revenue achieved in FY20 was A$35 million (H1 A$24 million and H2 A$11 million) compared to A$48 million in the corresponding period in 2019, a decline of 27%. The core markets of New South Wales, Asia and Europe/Other regions contributing 50% and 31% of the overall decline respectively.

Additional revenue opportunities within the region are expected in FY21 as market conditions progressively recover. Newly released hardware and a re-focused and improved game library is expected to be installed across this region.

On-line / Digital

Further progress in accelerating monetisation of on-line real money and social gaming was achieved in the period. Revenue included under Rest of World (Europe/Other) was A$4.6 million compared to A$4.2 million in the corresponding period in 2019. The Group has now gone live with several leading operators in New Jersey to leverage proven and recognised game titles within their database of players. An extension to established agreements with Zynga is expected to at least maintain current royalty levels in FY21.

Discussions with established operators in other US states now authorizing on-line gaming are underway and are expected to further leverage the Group's participation through its unique offerings within new jurisdictions.

FY20 Audited Results

AGT anticipates releasing its audited accounts in September 2020. AGT will immediately make a further announcement to the market after the lodgment of its unaudited accounts if there is a material difference between the unaudited accounts and the audited accounts.

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

Ends

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