

Ainsworth Game Technology Ltd

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## Ainsworth Game Technology Limited (AGT) – Half Year Results to 31 December 2020 (1H FY21)

Ainsworth Game Technology Limited (AGT) today announced subject to audit completion, a Loss after Tax of A\$50 million for the six months ended 31 December 2020. This result includes A\$29 million in non-cash one-off impairment charges, primarily due to the recent deterioration in the Group's Latin American business. The statutory results also include a currency translation loss of approximately A\$13 million due to the strengthening of the Australian dollar against the USD dollar at the reporting date.

Excluding currency impacts and impairment charges noted above, the loss before tax was A\$14 million in the current period. This is in line with the preliminary results announced to ASX in February 2021.

Revenue for the first half of the year was A\$72 million. This represented a decline of 33% compared to the prior corresponding period (pcp), however a 71% increase on 2H FY20. International sales contributed 73% to AGT's total revenue in the current period. Recurring revenues remain a strength of the Group contributing 25% of the total revenue, an increase from the 23% on the pcp.

Adjusted EBITDA was positive at A\$6 million excluding the above non-cash impairment charges, and including A\$5 million in government pandemic subsidies and concessions received in the current period. AGT remains committed to ensuring the welfare and safety of its employees and their families through this challenging period.

Revenues in Latin America were severely impacted by the effects of Covid-19, down 85% on the pcp. Following a second wave of infections a large proportion of customers' operations within Latin America, primarily Mexico, Argentina and Peru, were either closed or were subject to the imposition of new access restrictions. Customers' capital expenditure commitments in Latin America created the further deferral of both hardware and technology purchasing decisions. Uncertainties remain as to when the expected easing of Covid-19 restrictions and recommencement of pre-pandemic operating activities will occur.

These new developments have resulted in the re-evaluation of revenue impacts in the short term as macro uncertainty exists. Given the revised outlook, AGT prudently decided to record A\$27 million one- off non-cash impairment charges relating to the Latin American business unit. The Board will continue to take a conservative approach in assessing these matters.

The other primary regions of Australia and North America have rebounded strongly from previous closures and restrictions under Covid-19. Encouragingly, more customer venues are beginning to reopen as vaccination programs are rolled out across major markets, supporting a more positive outlook. AGT will continue to build on the success of HHR products and the A-Star cabinets. Ainsworth's game library is also being expanded, leveraging AGT's technology strengths.



Australia continues to show improved performance. Revenue was similar to pcp and increased by 118% on 2H FY20, aided by new hardware and improved product performance on recently released game titles. EBITDA, profit margin and unit volumes all increased in the half. With a reduced and more flexible cost base, AGT is well placed to benefit as the industry conditions continue to return to pre pandemic activity levels.

AGT's North America performance was the highlight of the results. Revenue in the period was A\$41 million, an increase of 92% on 2H FY20 lows. Improved participation and lease revenue contributed strongly to the performance. Profit margins were held steady at 30% as costs were aligned to mitigate the short-term reduction in Class III outright sales.

Historical Horse Racing (HHR) products once again outperformed. Over 850 additional units were sold or placed with a range of gaming operators within Kentucky and other authorised jurisdictions. MTD, whose assets were acquired in 2H FY20, has had a positive impact on EBITDA and provides avenues of future growth in premium performing Poker, Keno and Video Reel content.

AGT has taken proactive measures to ensure it has a competitive cost structure, an attractive portfolio of customer offerings and a strong balance sheet with access to liquidity.

Operating costs, including benefit of pandemic subsidies, reduced by 22% compared to the prior corresponding period ("pcp").

AGT's game development and approval process continued providing a future portfolio pipeline across Class II, III and online segments. The new A-Star dual screen cabinet with a new suite of games was launched across Australian markets with a positive customer response. The A-Star curve cabinet was launched in North America with a series of innovative new titles, providing a high-quality platform for future growth.

A new US\$35 million, five-year loan agreement with US based Western Alliance Bancorporation (WAB) was established in February 2021, providing AGT with greater certainty and cash flow flexibility. The agreement has an option to increase the size of the facility to US\$50 million, subject to Bank approvals. US\$28 million from the loan was used to retire all previous domestic debt obligations. Under the WAB facility, the borrower is the Group's US subsidiary and the financial covenants are limited to this legal entity which includes, minimum liquidity, total leverage, and fixed charge coverage ratios.

Given the Group's focus on liquidity and preserving shareholders' funds through the pandemic, the dividend programme remains postponed.

## **1H FY21 Audited Results**

AGT anticipates releasing its audited accounts along with an investor's presentation in March 2021. 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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