



**Ainsworth Game Technology Ltd**

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**ASX Release**

**ASX Code : AGI**

### **Ainsworth Game Technology Limited (AGT or the Company)**

#### **Half Year Results for the Six Months ended 30 June 2023 (current period or H1CY23)**

AGT reported a Profit Before Tax, excluding currency impacts and one-off items, of \$23.3 million in the current period, an increase of 24% compared to the \$18.8 million reported in the Prior Corresponding Period (PCP).

Implemented strategies continue to be progressed with improvements in overall product performance across global markets in the current period and revenue increasing by 20% compared to the PCP. Revenue increases are expected in coming periods as completed development initiatives commence to be commercialised across the key regions in Australia and the Americas.

Below is a summary of the key financials for the current period:

A\$m	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 Jun 2022 (PCP)	Current period vs prior half	Current period vs PCP
<b>Revenue</b>	<b>143.6</b>	<b>124.1</b>	<b>119.5</b>	<b>19.5</b>	<b>24.1</b>
Earning before interest, tax, depreciation and amortisation (EBITDA)	14.0	14.9	12.5	(0.9)	1.5
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>29.4</b>	<b>26.4</b>	<b>29.4</b>	<b>3.0</b>	<b>-</b>
Profit before tax (PBT)	7.9	7.3	1.9	0.6	6.0
<b>Underlying PBT<sup>(1)</sup></b>	<b>23.3</b>	<b>18.8</b>	<b>18.8</b>	<b>4.5</b>	<b>4.5</b>
Profit after tax (PAT)	4.2	5.9	2.7	(1.7)	1.5
<b>Underlying PAT<sup>(1)</sup></b>	<b>18.5</b>	<b>15.5</b>	<b>18.2</b>	<b>3.0</b>	<b>0.3</b>
Total Assets	429.6	425.7	406.5	3.9	23.1
<b>Net Assets</b>	<b>327.9</b>	<b>320.2</b>	<b>311.3</b>	<b>7.7</b>	<b>16.6</b>

<sup>(1)</sup> Underlying EBITDA, PBT and PAT adjusted for currency impacts and significant one-off items outside ordinary business activities.

AGT's momentum benefited from solid growth in the current period with revenue increasing to \$143.6 million, up 20% on the \$119.5 million in the PCP. Underlying EBITDA was \$29.4 million, similar to the \$29.4 million in the PCP. Profit Before Tax, excluding currency effects and one-off items, was \$23.3 million, a positive change versus the PCP and in line with Company guidance provided.

Strong momentum in trading within international markets resulted in revenue increasing by 29% on the PCP, accounting for 88% of the Group's total revenue. Recurring revenues, including connection fees



for Historical Horse Racing (HHR) products had further positive growth in the current period, increasing to \$47.2 million, an increase of 25% on the \$37.8 million in the PCP. Total machines under operation at 30 June 2023 were 6,623, an increase on the 6,389 at 30 June 2022, with North America increasing its installed base by 502 units (20%), assisting to offset a net reduction of 268 units in Latin America.

North America revenue in the current period was \$68.5 million, an increase of 13% on the PCP, representing 54% of total international revenue. Whilst additional plans are well advanced to increase the Company's market share within this region through low and mid denomination product offerings, high denomination games continue to exhibit strong product performance in the United States. The ongoing success of MTD games in South Dakota and the launch of these new games in Louisiana have seen similar success with 450 units sold in the current period. Agreement has been finalised to extend the previous exclusive distribution agreement of MTD products within Montana for an additional twelve-month period, commencing 1 November 2023, at a significantly increased license fee for the extended period.

Machines under operation in North America at the reporting date were 3,073, an increase of 20% on the 2,571 compared to the PCP. Continued expansion within Alabama, New Hampshire and Texas with new placements occurring in the current period. Machines under operation (including HHR connection fees), which generate recurring revenues, contributed 53% of segment revenues. HHR products continue to expand with 6,811 units (PCP 4,245 units) connected to AGT's HHR system at 30 June 2023. Further growth is expected as new installations occur in Kentucky, Virginia, and Alabama in coming periods. Strong average selling prices and increased recurring revenues, along with disciplined cost controls resulted in segment profit of \$29.5 million.

Revenues in Latin America / Europe increased during the current period by 50% compared to the PCP and 37% on the second half of the 2022 calendar year. Unit sales in the current period were 1,277, an increase of 27% on the PCP. This increase was driven by demand and the utilisation of import licenses in Argentina which accounted for 52% of unit sales. It is not expected that this level of activity in Argentina will be replicated in the second half of the 2023 calendar year, however continued opportunities in other regions, within Mexico, Peru, and the Caribbean are expected. Demand continues to grow for the A-STAR™ range of cabinets and top performing game themes such as Xtension Link™, Pan Chang™, Cash Stacks™ and Multi-Win™ games. On 30 June 2023, a total of 3,550 units were under operation, generating \$11.3 million in recurring revenue, an increase of 22% on the PCP. Despite a reduction in units under operation at the reporting date, primarily due to regulatory changes in Mexico, the average yield was maintained at US\$12 per day which assisted to offset the reduced number of machines under operation.

The Company has commenced pursuing legal avenues to challenge the Mexican Tax Administration Service (SAT) audit and review findings. The Company continues to defend its position that both software (including game) and hardware should be considered as a whole for the calculation of regional value content and USA origin under the North American Free Trade Agreement (NAFTA).

As previously disclosed the Company has provided for the full write-down of the carrying value of investments held in Argentina in the current period. Administrative delays in Court proceedings relating to the proposed reorganisation petition filed by the trustor and minimal access to information to reliably assess the recoverability on these investments, necessitated the write-down, despite preliminary legal advice indicating the likelihood that recoverability is high. The decision to write-down these investments considered the macro-economic uncertainties and political instability in the region which has continued since the reporting date. These conditions have contributed to the Argentinian Peso continuing to experience significant devaluation against the US Dollar which would have negatively impacted the Company in coming periods.

Asia Pacific revenue was \$21.2 million in the current period, a reduction of 7% on the \$22.7 million in the PCP. Domestic revenues overall were impacted by minimal corporate sales and competitive market conditions. Increased revenues in the current period of \$3.3 million (PCP \$0.5 million) within Asia and



New Zealand assisted to partially offset the lower revenues within Australia. Recent products launched at the Australian Gaming Exhibition (AGE), including the new A100 cabinet were positively received with strong performance from installations of the newly released Grand Fortune™ titles. Average selling prices improved despite competitive market conditions however segment profit was affected by increased marketing and trade show costs, production costs and material costs in the current period compared to the PCP.

The Digital segment reported revenue of \$8.4 million, which included the one-off profit uplift of \$1.9 million resulting from the GAN contract amendment. These high margin online revenues resulted in segment profit of \$8.1 million in the current period.

Operating costs increased to \$66.1 million in the current period, compared to \$54.3 million in the PCP, an increase of 22%. Group operating costs in constant currency terms were \$62.1 million, 14% higher compared to the PCP. The increase in operating costs was mainly attributable to variable selling costs on higher revenue, an increase in overall headcount, primarily within Research & Development (R&D) to ensure talent retention to support business growth and implemented strategies. Global inflation also contributed to the increase in operating costs with measures introduced to mitigate inflationary cost pressures through streamlining processes to achieve greater efficiencies.

Research & Development (R&D) expenses increased by 26% compared to PCP and 12% compared to the prior half reflecting the Company's continued focus on product development investment to produce competitive products. R&D expenses represented 15% of total revenue in the current period. An increased level of investment in R&D is expected to continue as the Company expands its studios in both Sydney and Las Vegas by adding new talent, along with the new game studios based in Austin Texas, Monterrey Mexico, and Reno Nevada led by experienced gaming veterans.

The previously initiated changes in the global organisational structure which provides new product leadership and clear lines of accountability is expected to provide efficiencies and an exciting range of diverse and new product offerings. Management continues to implement measures focusing on technology, development, and culture to improve product performance, lift staff retention rates and enhance AGT's ability to attract world class development talent.

Operating cash flows in the period improved compared to 31 December 2022 by \$17.4 million, due to increase in cash received from customers. Inventory levels were consistent with 31 December 2022 as new hardware are progressively introduced across key markets and to ensure protection against potential supply chain disruptions. Net cash held at the reporting date was \$24.6 million, a decrease on the \$29.9 million at 31 December 2022. With the higher revenue reported in the current period, receivables were \$118.5 million, an increase of 3% on the \$115.5 million reported on 31 December 2022.

Mr Harald Neumann, AGT's Chief Executive Officer commented, "I am pleased to report that progress has continued in the current period against the strategies implemented to improve earnings from Ainsworth. I am confident that the focus on R&D to fundamentally upgrade our technology, hardware and improve game performance will deliver further improvements."

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

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