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ASX Market Announcements Office
Exchange Centre
20 Bridge Street
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ELECTRONIC LODGEMENT

Half Year - Six Months Ended 30 June 2023 (H1CY23) Results Teleconference Script

We attach a copy of the Results Teleconference Script in respect to Ainsworth Game Technology's (H1CY23) results.

Yours faithfully

This announcement is authorised for release by;
Mark Ludski
Company Secretary

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Ainsworth Game Technology
Six Months Ended 30 June 2023 (H1CY23)
Half Year Results Teleconference Script

Harald Neumann, CEO

Thank you, operator.

Good afternoon, everyone and thank you for joining me for the Ainsworth conference call for our results for the six-month period ended 30 June 2023.

Lynn Mah, our CFO and Mark Ludski the Company Secretary are also on the line today.

On the call today I will concentrate on the key points and the regional review and Lynn will take you through the financials. At the end of the presentation, we would be pleased to answer any questions.

All the numbers Lynn and I quote throughout the call are denominated in Australian dollars unless otherwise specified.

Page 5: Results Summary

Let’s make a start on page 5 with some highlights of the results.

Firstly, I am pleased to report that Ainsworth has maintained and delivered a solid result with revenue increasing to $143.6 million in the six-month period. This represented a 20% increase on the Prior Corresponding Period (PCP) and 16% on the second half of calendar year 2022.

Underlying EBITDA for the period was $29.4 million similar to the PCP and an increase of 11% on the $26.4 million in the prior half ending 31 December 2022.

Profit Before Tax, excluding currency impacts and one-off items, was $23.3 million in the current period. This result was in line with the guidance outlined by the Company. It is a further improvement on the profit reported in the PCP of $18.8 million, an increase of 24%.

The Profit After Tax reported of $4.2 million, included currency losses of $4.4 million and net one-off items of $11.0 million relating to the uplift in profit for amendments to the GAN exclusivity agreement and provision for the full write- off of investments in Argentina.

As we have disclosed the Company has provided in the current period for the full write-down of the carrying value of investments held in Argentina, following a notification by the investment company that a reorganization petition has been filed by the trustor of the investments. 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 macro-economic uncertainties and political instability in the region which has continued since the reporting date have contributed to the Argentinian Peso experiencing significant devaluation against the US Dollar which would have adversely impacted the Company in coming periods.

Ainsworth's cash flow and balance sheet continue to be key priorities of the Company. Operating cash flows in the period improved by $17.4 million from the deficit of $5.3 million in the previous half year period ended 31 December 2022. Net cash at the reporting date was $24.6 million compared to $29.3 million at 31 December 2022. AGT continues to invest in product development through people and technology whilst supporting required levels of working capital to satisfy customer demand. The global economic conditions for componentry have progressively improved, however, to ensure commercialization of hardware initiatives and no supply chain disruptions are encountered to projected customer demand, inventory levels remained consistent at $89 million compared to 31 December 2022. I would note that strategies to diversify any supply chain risks have been implemented so we can continue to source critical components for machine assembly and ensure no disruption.

The Board has decided not to declare a dividend given the Company's priority to maintain a strong financial position at the present time. Given the on-going investment in Research and Development (R&D) being undertaken, the working capital necessary to ensure no production disruption through supply chain shortages and continuing inflationary cost pressures, dividends continue to be suspended at the present time. The Board confirms its commitment to re-commence paying dividends when considered appropriate.

Page 8 Profit and Loss Summary

Let me turn to the results on page 8. It is encouraging to see the momentum that started last year has continued into the first half of calendar year 2023.

Revenue increased to $143.6 million, up 20% on the $119.5 million in the PCP. Revenue increases were achieved across the key regions in both North and Latin America. Reflecting the momentum offshore, international revenue increased to $125.7 million, a 29% increase compared to the PCP and now represents 88% of the Group's total revenue.

The gross margin achieved in the period was 61%, a decrease on the 64% reported in the prior half. Despite strong Average Selling Prices, the margin decline was primarily attributable to a lower proportion of high margin recurring revenue compared to prior periods. Cost pressures on direct materials also impacted the gross margins in the current period.

Page 10 Reconciliation of PBT to EBITDA

As outlined on page 10 underlying EBITDA was $29.4 million, compared to $26.4 million in the PCP.

Currency losses in the current period were $4.4 million compared to gains of $4.7 million in the PCP. One off items outside normal operations included a loss of $11.0 million, resulting from the profit uplift of $1.9 million on the amendment to the GAN exclusivity agreement and a write-down in investments in Argentina of $12.9 million.

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).

Page 17 North America.

I'll now go through the regional review starting on page 17 with North 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.

Higher costs of sales of products due to change in product mix, impacted gross profit, however were partially offset by strong average selling prices along with disciplined cost controls resulted in segment profit of $29.5 million.

Page 19: Latin America & Europe

Turning to page 19

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.

Page 20: Asia Pacific

Page 20 outlines the region of Asia Pacific. As you will note we have now consolidated Australia, New Zealand, and Asia under the one region as a result of changed management responsibilities introduced in the period.

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.

Page 21 Online

On page 21 we outline the Digital segment which 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. It is expected that when the GAN exclusivity contract terminates in March 2024, the Group will be able to directly explore further opportunities with US operators.

I will now ask Lynn to outline the financials.

LYNN MAH, CFO

Thank you, Harald,

Slide 11: Operating Costs

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.

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.

Slide 12: Staff Headcount

Turning to page 12 AGT's global headcount was 546 employees at the reporting date with 57% within the Americas. This represented an increase of 14% (69 employees) compared to the PCP with increased Research & Development (R&D) resources accounting for 43% of the overall increase.

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.

Slide 14: Balance sheet

As Harald has pointed out, it has been a key priority to ensure we maintain a strong balance sheet to protect the Company and allow liquidity to pursue planned development initiatives.

On page 14, you'll see we closed the current period with a net cash position of $24.6 million with undrawn facilities in place for US$32 million.

The receivables closing balance of $118.5 million a slight increase of 3.0% on the $115.5 million at 31 December 2022 reflecting positive cash collections in the current period. Inventory closed at $89.2 million, decrease on the $90.1 million at 31 December 2022 as

Harald noted, to ensure no disruption to new hardware releases and supply chain disruptions impacting customer demand in the second half of the calendar year 2023.

The company has $328 million of net assets with no facility drawdown following repayment of borrowings within FY22.

Slide 15 Cash Flow

On page 15, operating cash flows in the period improved compared to 31 December 2022 by $17.4 million, due to increase in cash received from customers. Net cash held at the reporting date was $24.6 million, a decrease on the $29.3 million at 31 December 2022. With 16% higher revenue reported in the current period, receivables increased only by 3% compared to 31 December 2022.

In conclusion we have a strong capital base and are well financed to go forward to execute on strategies established.

Thank you and I will now hand you back to Harald for some concluding remarks.

Harald Neumann, CEO

Slide 33 – Conclusions and Summary

AGT enters the second half of calendar year 2023 with good momentum and expects sustainable profitability.

Trading conditions in both domestic and international markets have shown their resilience despite economic challenges in global markets. AGT's North American business continues to make progress in both Class II and Class III markets. Opportunities are continually being pursued for existing and new HHR markets.

Despite more volatile market conditions in Latin America, the Group expects to continue its trajectory of growth and profitability in this region. Domestic markets are expected to benefit from new A100 hardware released at the recent Australian Gaming Exhibition and improved game performance following the release of new game titles.

With a strong balance sheet and commitment to product innovation, AGT is well placed to deliver improved performance.

As I said at the beginning, our results are much improved on the PCP driven by the contributions from international markets.

We can also look forward to further improvements in Australia, where we will continue to leverage our key strengths of AGT's trusted brand, our highly capable staff and the Company's enduring commitment to develop superior game technologies.

As I have previously communicated for us to ensure continued growth and to sustain our performance, measures were introduced to improve the outputs of our R&D investments. This is expected to lift the competitiveness of our product.

We have expanded our capabilities and talent within R&D in both the Sydney and Las Vegas studios. In addition, three new R&D studios are now operating to provide more creativity and diversity to our current product offerings. The ability to quickly deliver new products to market that can provide better results for our customers is critical to our long-term success.

The infrastructure to achieve our product road map is in place which we expect to translate into improved and sustainable long-term results across global markets.

Quality initiatives are continually assessed to improve game designs, mathematics, and graphical arts to create a more diverse and targeted range of product offerings to our customers.

Before I close, I would like to finish by thanking all my colleagues at Ainsworth for their contributions to the progress made and their dedication to our customers. I am incredibly proud of the way the team at AGT has taken on the challenges presented to them to ensure we are well placed to improve our financial performance over coming periods, and I want to formally thank them all.

Thank you for your time today I will now hand back to the operator to open up the lines for Q&A.

Thank you operator

Ends

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