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Ainsworth Game Technology Limited
Full Year Results to 30 June 2016 and Dividend Announcement

Ainsworth Game Technology Limited (AGT) today announced an audited profit after tax of \$55.7 million for the year ended 30 June 2016. On a pre-currency basis Profit before Tax was \$70.4 million, an increase of 2.3% on the \$68.8 million in the previous corresponding period in 2015. Before currency movements the profit after tax was \$52.4 million on the same basis and in line with guidance provided compared to the \$52.5 million achieved in the previous corresponding period.

Chief Executive Officer, Mr Danny Gladstone said, “Excluding the effect of foreign exchange gains, the FY16 results were solid. I am pleased with the changes initiated within product development and the momentum of the group going forward. The evolution of Ainsworth is continuing in line with our strategy. The acquisition of Nova and a Class II product offering has enabled us to leverage our technology allowing greater access to new markets in the Americas. Our results show that 68% of segment profits came from the Americas. We have made good progress to date in delivering the expected synergies with Novomatic and will continue this focus through FY17”.

The financial results for the year ended 30 June 2016 are summarised as follows:

Amounts expressed in A\$ millions <i>(unless otherwise stated)</i>	FY16	FY15	Movement %
			▼ ▲
Revenue	285.5	240.6	▲ 19%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	95.8	107.6	▼ 11%
Underlying EBITDA ⁽¹⁾	95.2	85.1	▲ 12%
Earnings before interest and tax (EBIT)	72.8	91.3	▼ 20%
Profit before tax	75.1	94.4	▼ 20%
Profit after tax	55.7	70.4	▼ 21%
Profit after tax excluding foreign exchange	52.4	52.5	- -
Earnings per share (basic) – dollars	\$0.17	\$0.22	▼ 23%
Dividends per share (fully franked) - dollars			
Final (declared 23 August 2016)	\$0.05	\$0.05	- -
Total dividends for FY16	\$0.10	\$0.10	- -

⁽¹⁾ Underlying EBITDA adjusts for currency gains and significant items outside ordinary business activities.

Results

Sales revenue for the year was \$285.5m for FY16, a 19% increase versus the prior corresponding period. This reflects the strong underlying growth in international markets which represented 71% of total revenue compared to 61% in FY15.

Domestic revenue was \$81.5 million (29% of total revenue), 12% lower compared to \$93.0 million in the prior corresponding period. A decline in business activity with large corporate customers was experienced compared to the high level of activity seen in previous years, together with general changes in customer purchasing patterns. The consolidation of some competitors in Australia caused some pricing pressure during the period. Whilst ship-share came under pressure, high-yielding product performance ensured that the installed base of Ainsworth products still experienced moderate growth across most domestic markets.

International revenue for the period was \$204.0 million (71% of total revenue), an increase of 38% compared to \$147.6 million in the prior corresponding period (61% of total revenue). Significantly, the Americas recorded an increase of 40%. Continued progress to gain market share and revenue growth within the critical international market of North America in FY16 combined with access to new markets resulted in revenue of \$111.0 million, a 34% increase on the same period in 2015. Profits from North America grew by 29%. The continued high performance achieved on the A560SL™ with game brands such as Mustang Money 2™, Thunder Cash™, Twice The Money™ and Cash Cave™ made the Group's product an attractive value proposition across all established and new markets.

Nova Technologies, acquired in January 2016, made a pleasing contribution to the FY16 results. Nova is a leading Class II gaming technology company and has provided a clear complementary fit with Ainsworth. Since completion the business has been fully integrated and continues to deliver strong growth. There is scope to expand into new territories both in the US and beyond.

Latin American revenues increased by a pleasing 49%, with profits rising by 68%. Sales were strong in Mexico, Ainsworth's largest market in the region, and there was continued growth in Caribbean markets.

Other international revenue comprising Asia, New Zealand and Europe contributed \$18.2 million in revenue, an increase of 25% compared to 2015. Profit was 18% higher. The increase in revenue was primarily attributable to sales growth within New Zealand which increased revenue by 127% through a significant order for Skycity Auckland and sales into South Africa within the current period.

A gross margin of 60% was achieved in the current period consistent with the margin reported at the half year ended 31 December 2015. The Company noted that margins remained strong in international markets. However, domestic markets experienced a decline due to product mix changes, higher initial material costs on new products, A\$ currency changes and competitive pressures across the gaming industry. Initial cost reduction initiatives have now been implemented. Higher sales volumes, production efficiencies and a greater concentration of premium progressive games are expected to assist in off-setting these impacts.

Operating costs, excluding cost of sales, financing costs and other expenses were \$100.4 million, an overall increase of 21% on 2015. This increase was primarily due to a lift in sales, service and marketing expenses resulting from the full year impact of previous and additional placement of products under gaming operation, additional sales/technical representation within the Americas and the integration of costs through the completed acquisition of Nova Technologies LLC (Nova) in the period.

Research and development (R&D) costs were maintained at 10% of revenue. This investment drives innovation and Ainsworth's superior game performance. The R&D program has created the A600™ where commercialisation is occurring in targeted markets with a broader and more diverse range of games, and the release of the A640™ within the Americas.

Recurring revenues from machines on participation provide high quality earnings and are an important part of Ainsworth's strategy. At 30 June 2016, the Group had a total of 4,586 machines including 1,511 units through the Nova acquisition within the Americas on participation, rental and/or lease, an increase of 75% over the prior corresponding period.

The strategic investments in real money and social platform technology are also expected to provide further opportunities to leverage Ainsworth's recognised brands to a greater number of users through social and mobile channels. Successful integrations have been achieved with leading real money gaming platforms Microgaming Ltd and iSoftbet. Ten games have been provided for initial launch on these platforms and early performance is encouraging. Ainsworth opened its second social casino, King Spin Slots App. This was successfully launched in conjunction with 616 Digital LLC on Android and IOS. The synergy between Ainsworth and 616 Digital has been reflected in the ongoing strong performance of Players Paradise Slots App. Further growth and progress can be expected.

Net cash flow from operating activities increased by \$32.7m to \$52.9m, reflecting the strong cash generation in the period. We invested this cash predominantly in acquisitions, technology developments, capex on the new US facility in Vegas, investment in Florida to stream line our supply chain and distributions to shareholders. We finished the year with net debt of \$41.5m and significant funding headroom to support our ongoing growth.

On June 27th 2016, shareholder approval was granted for Mr Len Ainsworth (including entities controlled by him) to sell 172 million of his ordinary shares to Novomatic AG. We are delighted to welcome our new shareholders to Ainsworth. Other regulatory approvals and the licensing process are proceeding to enable completion of the transaction.

Novomatic is a highly regarded and successful international gaming company with an extensive library of games and technologies. There are undoubtedly significant synergies that can be developed through this relationship and we have already made progress in delivering these benefits for all shareholders.

Summary

Mr Gladstone said "FY16 presented challenges within the competitive domestic market. I am confident that the release of a range of new games and concepts on the technically advanced A600™ at the Australasian Gaming Exhibition in August 2016 has been well received and should provide the positive momentum to improve domestic results – both revenue and profitability".

He added, "We expect continued growth in our international businesses in FY17. Sales in the Americas are growing well. Strong contributions from new jurisdictions and the opening of our new facility in Las Vegas have lifted our presence in these markets and are expected to positively impact performance in coming periods."

"We have made good progress to date in delivering the expected synergies with Novomatic in FY17. This strategic relationship will assist us to become a more diversified game technology with improving quality of earnings, strong growth and profitability in international markets."

Based on the results, the Board has declared a final dividend of \$0.05 per ordinary share, resulting in full year dividends of \$0.10 per ordinary share. The dividend is fully franked with Nil Conduit Foreign Income (CFI) and is expected to be paid on 7 November 2016.

The dividend results in a full year payout ratio of 58% (2015: 46%) of profit after tax, within the previously stated payout range of 40-60%. A Dividend Reinvestment Plan (DRP) will operate for the declared final dividend allowing shareholders the opportunity to take their dividend in new shares. A copy of the DRP is available on the Company's website:

<http://www.agtslots.com.au/corporategovernance#861d3202-fcbc-3>

The key dates for the declared final dividend are as follows:

Shares trade ex-dividend	30 September 2016
Record date	4 October 2016
Entitlement date	14 October 2016
Payment date	7 November 2016

An update on the first half trading expectations for FY17 will be provided at the Company's Annual General Meeting to be held on Tuesday 15 November 2016.

Ends

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