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**AINSWORTH GAME TECHNOLOGY LIMITED
2023 ANNUAL GENERAL MEETING ADDRESSES**

NON-EXECUTIVE CHAIRMAN

(Presented by Mr Danny Gladstone)

Ladies and Gentlemen,

I am pleased to present the review for the half year period ended 31 December 2022. As previously advised, this now completes the transition for our reporting period to a calendar year basis, effective 1 January 2023. This new reporting period will align the Company with our overseas operations and business cycles, as well as reducing duplication of processes and increasing efficiencies in reporting to our majority shareholder, Novomatic AG.

In the six-month period ended 31 December 2022, revenue increased to \$124.1 million, a 23% increase on the prior corresponding period (PCP) as we benefited from improved product performance across our markets and further recovery in Latin America. For the period AGT delivered a Profit before Tax, excluding currency impacts and one-off items, of \$18.8 million. This was an 88% increase on the adjusted Profit before Tax of \$10.0 million for the PCP and consistent to the second half of the 2022 calendar year which was more reflective of our trading performance.

Group underlying EBITDA (adjusted for currency and one-off items) reported for the six months ended 31 December 2022 was \$26.4 million, an increase of 28% on the \$20.7 million in the PCP. These results reflect the planned increase in Research and Development investment activities undertaken which represented 16% of total revenue, compared to 14% in the previous half year ended 30 June 2022. This investment is expected to enable the Group to maintain the revenue growth being achieved and secure positive market share gains in coming periods.

We continue to progress strategies to improve performance which are expected to result in positive momentum being maintained for the 2023 year. Trading conditions generally have improved across our markets with customer activity levels now showing positive recovery.

North America delivered good results for the six-month period ended 31 December 2022, primarily driven by strong performance and contributions from Ainsworth's leading Historical Horse Racing (HHR) products. Latin America also experienced a strong recovery in the period with revenue increasing 49% compared to the PCP. AGT's domestic performance improved as the year progressed however, we still do not consider that it reflects the full potential. We are continuing to invest in product



development to improve game performance in all our markets, which is expected to translate into market share gains and sustained success.

I'd like to highlight three other positive features of our business model and performance in the half year ended 31 December 2022. First, international revenues increased by 20% versus the PCP and now account for 81% of the group's total revenue. This demonstrates our effectiveness in delivering on our strategy to grow and build scale in North America. Second, recurring revenues, another key priority for AGT, increased by 42%. Units under operations at 31 December 2022 were 6,517 which generate annuity style recurring revenues.

And third, Ainsworth's cash flow and balance sheet are positive features of the Company's recently reported results. We closed the 2022 calendar year with a net cash position of \$36.5 million. We also have an undrawn credit facility of US\$32 million in place to ensure access to additional liquidity should it be required.

With the current economic uncertainties combined with supply chain challenges, an increased level of working capital, primarily inventory levels, were considered necessary to ensure continuity in production to fulfill expected sales volumes in calendar year 2023. Once these conditions stabilise and operational requirements can be reliably determined, the Board maintains its commitment to review the recommencement of dividend payments to our shareholders.

Our priority remains to maintain a strong balance sheet to self-fund our growth strategies and product investments. We have implemented processes and recruited new talent to ensure improvements in outputs of our R&D initiatives which is expected to lift the competitiveness of our products. We are offering more value to our customers and have a new organisational structure and financial capability to support these strategies.

I note that the reported results for 31 December 2022 incorporated an additional provision to reflect the ongoing position with the Mexican Tax Administration Service (SAT) where a provision was initially recorded at 30 June 2022. The timing of a final resolution continues to remain uncertain at the present time however we are pursuing discussions with SAT to come to a resolution of this matter. We will keep the market informed as and when any material developments arise.

In closing I would like to thank my fellow directors and our CEO Harald Neumann for their continued contributions and support. I also acknowledge the dedication and loyalty of our highly motivated executive team and employees at Ainsworth in ensuring improvement in financial results and delivering the necessary changes across all operational areas during difficult and challenging circumstances. I thank our shareholders, and as always, our loyal customers across our global markets.

I will now hand over to Harald to provide the CEO address.

CHIEF EXECUTIVE OFFICER (CEO)

(Presented by Mr Harald Neumann)

Thank you, Danny.

Dear shareholders,

I am pleased to provide my report to shareholders for the recently reported six-month period ended 31 December 2022 and share with you the progress on strategies initiated for the 2023 calendar year and beyond.



Since I commenced as your CEO, we have encountered the challenges resulting from the pandemic and changes in economic conditions across global markets. The resultant supply chain shortages experienced for the componentry underpinning our technology was foreshadowed and strategies implemented to ensure minimal financial and production disruptions across our operations. As venues recovered across our major markets and customers' capital expenditure programs increased, we successfully mitigated this potential risk, ensuring the continuity of production and supply of AGT's top performing gaming products.

Ainsworth has a deep and well-respected history of developing innovative game themes and technologies, and it is this foundation that we have been able to build on to work towards achieving the full potential for the Company. The planned investment to improve technologies and fundamentally improve game performance has been the key priority undertaken to ensure sustained success and financial improvements.

It is the potential to leverage these growth drivers into sustained results and improved returns for shareholders that provide me with confidence about Ainsworth today. Along with the Board and my established management team, we are committed to deliver on our potential to be a larger and more profitable company in our major markets.

In the six months ended 31 December 2022 we delivered an adjusted Profit Before Tax (PBT), excluding currency impacts and one-off items, of \$18.8 million. This was a further improvement on the profit reported in the Prior Corresponding Period (PCP) of \$10.0 million and in line with the second half of the financial year ended 30 June 2022. The underlying Profit after Tax of \$15.5 million positively compares to the \$6.1 million reported in the PCP.

Underlying EBITDA reported for the six-month period was \$26.4 million, 28% improvement on the PCP. This result was achieved despite an increase of 18% in operating costs resulting from operations returning to pre-pandemic levels, inflationary cost pressures and the planned investment in development initiatives to increase the competitiveness of our product offerings.

Group revenue increased in the six-month period to \$124.1 million, up 23% on the \$100.7 million in the PCP. Revenue increases were achieved across the key regions in Australia and the Americas. This reflects the improvement in trading conditions offshore, with international revenue increasing 20% compared to the PCP, contributing 81% of the Group's total revenue.

The gross margin improved in the period to 67%, an increase on the 63% reported in the PCP and the second half of FY22. Strong Average Selling Prices (ASP) and increased revenue from units under gaming operation contributed to the improved margin.

Gross operating costs, in constant currency terms were \$101.9 million, 11% higher than the PCP. This rise was mainly due to inflationary cost pressures, increased variable selling costs and the investment in Research and Development (R&D), including the establishment of new game studios in North America. We continue to actively work on measures to mitigate inflationary cost pressures across all regions.

Strong product performance in North America supported our improved performance in this region. High denomination games continue to be strengths of AGT in the United States. The Company continues to regularly deliver five of the top 25 games in this segment.



North America continued to perform strongly in the reported six-month period with revenue of \$59.7 million, an increase of 9% on the PCP, representing 59% of total international revenue. High denomination games continue to be a strength of AGT in the United States with development initiatives initiated to provide greater market share within the low and mid denomination product groupings. Following the success of MTD games in South Dakota, the launch of the games in Louisiana have seen similar success with 400 units sold in Louisiana and South Dakota in the current period, compared to 100 units in South Dakota in PCP. Further opportunities for the MTD products are expected in Montana in late 2023 following the expiry of an exclusive distribution agreement within the state.

Machines under operation in North America at the reporting date were 2,827, an increase of 10% from 30 June 2022, primarily through expansion within New Hampshire and Texas where new placement opportunities occurred in the period. Machines placed under participation and lease (including connection fees), which generate recurring revenue, contributed 59% of segment revenues. Historical Horse Racing (“HHR”) products continue to perform with 5,510 units connected to AGT’s HHR system at 31 December 2022 and this growth is evident for the first half of 2023 as new installations occur in Kentucky and Alabama. Strong ASP’s and increased recurring revenues, along with disciplined cost controls resulted in a rise in segment profit to \$30.9 million versus \$23.1 million in the PCP, up 34%.

The Latin American region continued to exhibit signs of positive momentum during the six month period ended 31 December 2022, driving improved performance. With venue re-openings, revenue increased by 49% to \$33.1 million, compared to the PCP. Customer activity increased and growing demand is evident for the A-STAR range of cabinets and top performing game themes such as Pan Chang, Fiesta Grande, Rio Grande Los Toritos, and Multi-Win Games. The region achieved a segment profit of \$10.4 million, compared to \$10.0 million in the PCP.

At the end of 2022, we had 3,690 units under operation in this region generating \$10.6 million in recurring revenue. This represented 32% of total revenue and increased 41% on the PCP and 14% on the second half of FY22 as active units became fully operational. The yield achieved on these units improved slightly to USD12 per day which assisted to offset the net overall reduction in units under operation as regulatory changes in Mexico were introduced.

At 31 December 2022 a non-cash impairment charge of \$3.9 million was recorded, primarily from the Latin American region. This non-cash cost reflects inflationary cost increases and was due to the timing nature of the current business model within the region. Gaming machines are typically first placed on operation which results in assets requiring assessment for impairment purposes despite the generation of participation revenue prior to the potential conversion to sale in future periods.

In addition to this impairment and as outlined by Danny we recorded an additional provision at 31 December 2022 against potential import duties and other associated charges in Mexico. The resolution of this matter remains heavily dependent on the outcome and acceptance of the Company’s submission to establish interdependency of software with its hardware.

Our domestic performance in the six-month period ended 31 December 2022 was consistent to the second half of the financial year ended 30 June 2022, with 792 machines sold however represented an increase of 34% on the 591 units in the pandemic impacted PCP. This result was primarily achieved from the key market in New South Wales which contributed over 54% of the regions segment revenue in the period compared to 39% in the PCP. The successful performance of the recently released titles Treasure Spirits and Grand Fortunes are showing positive results.



I would note that despite a strong ASP being maintained, competitive market conditions continue with overall gross and segment profits being impacted by inflationary pressures and the weakening of the Australian dollar against the US dollar which adversely impacted costs of production in the period.

The Rest of the World segment reported an improvement in revenue to \$8.1 million with online revenues now contributing 79% of this segment's total revenue. Higher margin online revenues enabled segment profit to increase by 43% to \$5.7 million.

The amended agreement with GAN Limited, as detailed in our release to the market, will effectively change this relationship to a non-exclusive basis from 1 April 2024. From this date AGT will retain all Real Money Gaming revenues from direct integrations with operators, in addition to revenues from aggregation platforms, including GAN. This is expected to provide an initial uplift in 2023 and the first quarter of 2024 from the exclusivity fee of US\$5.0 million previously received and going forward is expected to allow greater flexibility to service our US customers, aligning future digital and land-based strategies.

Ainsworth's capital strength, cash flow and balance sheet are key priorities of the Company. The Company has \$320.2 million of net assets and effectively no debt. Net cash at the end of 2022 was \$36.5 million, compared to \$32.2 million at the same period in 2021. The receivables closing balance of \$115.5 million was consistent to the \$112.7 million at 30 June 2022 with good cash collections as customers in Latam America recommencing payments following their operations re-opening in the period. Inventory increased to \$90.1 million, an increase of 32% from 30 June 2022. As I have highlighted and to ensure no supply chain disruptions to projected customer demand, we purposefully built-up inventory to ensure mitigation of potential supply chain risks and fulfill customer demand within the 2023 year. Strategies are underway to diversify our supply chains to ensure we can continue to source critical components for machine assembly and ensure no disruption is experienced. AGT continues to invest in product development through people and technology whilst supporting required levels of working capital to satisfy customer demand.

In 2023, as we have previously announced, we have completed the necessary formalities to change our financial year end to 31 December. This change will be take effect on 1 January 2023 and assist to better align our business to industry cycles as well as ensuring efficiencies of our year end processes and audit.

We have entered the first half of the 2023 calendar year with good momentum. The new year has started well, and we will continue to execute to plan. Based on current forecasts and as announced we expect to achieve approximately \$20.0 million in PBT, pre-currency and one-offs, for the six months ending 30 June 2023. I expect that further market share gains and financial improvements can be realised as the outputs from the development initiatives currently implemented are commercialised.

We are seeing continued growth in North America with an increase in the number of machines on participation and sales in new and existing venues. Most notable is the recent placement of 400 units under participation at VictoryLand in Alabama and the success of the Gamblers Gold multigame series in South Dakota and Louisiana. We continue to pursue opportunities across North America, including existing and new Historical Horse Racing markets.

We look forward to further recovery especially in Australia where we continue to pursue our commitment to develop superior game technologies for our customers.



As I have noted for us to ensure continued growth and to sustain our performance, we needed to improve the outputs of our R&D investments. We expect that these initiatives will lift the competitiveness of our product and offer more value to our customers.

An established product road map and strategies to upgrade game performance is in place to achieve sustainable long-term results across global markets. The ability to quickly deliver new products to market that can provide better results for our customers is critical to our long-term success.

We have expanded our capabilities and talent within R&D in both the Sydney and Las Vegas studios. In addition, the two new studios have been established and are now operating in North America. These new studios are led by industry veterans with significant experience and are expected to provide more creativity and diversity to our current product offerings.

Quality initiatives have already started to improve game designs, mathematics, and graphical arts to create a more diverse and targeted range of product offerings to our customers. I look forward to updating you on these improvements as we progress.

In closing I would like to acknowledge the directors, my global executive team, all the loyal and dedicated staff at AGT, our shareholders and our customers. Your support, contribution and trust are the strongest foundations on which we will build on the positive improvements achieved and sustained success.

Ends

For further information, please contact:

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