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29 May 2024

ASX Release

ASX Code: AGI

AINSWORTH GAME TECHNOLOGY LIMITED
2024 ANNUAL GENERAL MEETING ADDRESSES

NON-EXECUTIVE CHAIRMAN
(Presented by Mr Danny Gladstone)

Ladies and Gentlemen,

At the outset I would firstly like to make a few comments about the previously initiated Strategic Review by Macquarie Capital that we announced and the most recent announcement earlier this month where we advised that it had been determined by the Board to place this on hold at the present time. After consideration by the Board, with consultation with Macquarie and senior management, it was determined that it was more beneficial for our shareholders to ensure this review was not undertaken at a time where the investments in product initiatives were not as yet fully reflective in the current financial results of the Company. This has become even more evident as the expected financial results for half one of the 2024 financial year have been impacted by delays being encountered in product releases coupled with current market conditions experienced in Latin America. As was outlined in our announcements we emphasized that there was no assurances that any transaction would result from the Strategic Review, and we remain focused on the priority of our organic operations to optimize the Company's financial performance and results in the short term.

I will now present the review for the financial year ended 31 December 2023. I will concentrate my address on the headline numbers and Harald Neumann, the Company's Chief Executive Officer (CEO), will provide further detail and an outline on our key operating segments. I do note that as these results represent the first completed 12-month financial period following the change to a calendar year reporting basis and to provide a meaningful comparison, the prior corresponding period I refer to will be the 12 months ended 31 December 2022.

In the financial year ended 31 December 2023, we reported revenue of $285 million, a 17% increase on the Prior Corresponding Period (PCP). This increase was attributable to international revenue increasing 24% on the PCP to $245 million in the period. International revenue now contributes to 86% of total revenue compared to 81% in 2022. For the period AGT delivered a Profit before Tax, excluding currency impacts and one-off items, of $41.5 million. This was a 10% increase on the adjusted Profit before Tax of $37.6 million for the PCP with the second half broadly consistent with the corresponding half year period in the 2022 calendar year.

Group underlying EBITDA (adjusted for currency and one-off items) reported for the year ended 31 December 2023 was $59 million, a modest increase of 5.7% on the $55.8 million in the PCP. These results reflect the planned increase of 25% in Research and Development (R&D) expenses and the focus on ensuring our products are competitive within our global markets. R&D investment activities undertaken, excluding capitalized expenditure, represented 16% of total revenue, compared to 15% in the previous 2022 year. This investment is expected to enable the Group to continue the revenue growth trajectory being achieved and secure positive market share gains in coming periods.

We have continued to progress strategies to improve performance which are expected to result in positive momentum being maintained for the 2024 year. Trading conditions generally have improved across most markets with customer activity levels now showing positive confidence in the recovery.

North America continued to deliver solid results for the year ended 31 December 2023, primarily driven by strong performance and contributions from Ainsworth's leading Historical Horse Racing (HHR) products. Latin America and Europe also experienced a strong recovery in the period primarily assisted by the accelerated deliveries in Argentina, with revenue and segment profit increasing 26% and 57%, respectively compared to the PCP. AGT's performance within Asia Pacific was maintained as the year progressed, however, we still do not consider that it reflects the full potential within this region. We have pursued additional opportunities within Asia and are continuing to invest in product development to improve game performance in these markets, to enable positive market share gains to be achieved in coming periods.

I'd like to highlight the three other positive features of our business model and performance in the year ended 31 December 2023. First, development initiatives previously initiated have now been commercialized with the release of the new A-Star Raptor and A-Star 100 hardware in selected markets during the period. These cabinets, combined with the progressive release of new game combinations have been well accepted by our customers based on feedback received and are expected to provide positive market share gains as they are approved for release across all our markets. Second, participation and lease revenue, including HHR connection fees, generated annuity style recurring revenues within the Americas of $96.5 million, an increase of 15% compared to the PCP. The total number of units under operation grew to 7,222 at the reporting date.

And third, Ainsworth's cash flow and balance sheet are positive features of the Company's recently reported results. Operating cash flows in the period were $27.9 million, an improvement on the $15.4 million reported in CY22. The improvement was primarily due to prudent working capital management, particularly in a reduction in inventory holding of 19% at 31 December 2023, compared to the prior year. While operating cash flows have improved during the period, investments were made in Argentina and capital expenditure to support the release of new hardware during the year. This resulted in net cash held at the reporting date of $19.4 million, a decrease on the $29.3 million reported at 31 December 2022.

Further discussions with the Mexican Tax Administration Service (SAT) on the previously disclosed audit and review of unpaid duties and associated charges in this region progressed in the period and I am pleased to advise that all administrative processes have now been completed. The provision was updated at 31 December 2023 and reflects material changes in line with the agreement made on amounts owing.

The economic conditions prevailing in Latin America remain challenging and combined with the resolution and associated payments for import duties in Mexico, the continued level of investment in product initiatives and working capital requirements, it was determined to maintain the necessary liquidity at the present time. As 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.

As we have highlighted, our priority remains to maintain a strong balance sheet to self-fund our growth strategies and product investments. We have implemented processes to ensure improvements in the output of our R&D initiatives which are expected to lift the competitiveness of our products. We are offering more value to our customers and have in place the necessary organisational structure and financial capability to support these strategies.

In closing I 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 the many employees at Ainsworth who have embraced the necessary changes we have made across all operational areas during difficult and challenging circumstances. As always, I thank our shareholders, and our loyal customers across our global markets.

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

CHIEF EXECUTIVE OFFICER (CEO)
(Presented by Mr Harald Neumann)

Thank you, Danny.

Dear shareholders,

It is my pleasure to provide my report to shareholders on the financial results outlined in the Annual Report for the year ended 31 December 2023 and share with you the current progress on strategies undertaken for the 2024 calendar year and beyond.

Within the 2023 year we have maintained good momentum and ensured improvements across all our operations which have assisted us to navigate the challenging economic conditions across global markets. The gaming industry continues to show positive signs of recovery and resilience to difficult economic conditions, and we are confident that our strategies will overcome these short-term difficulties and translate into improved financial results and increased shareholder value in coming periods. Along with the Board and the established Executive Team, we are committed to delivering new and exciting gaming products to deliver on our potential to be a larger and more profitable company across all our major markets.

Investment in development activities undertaken resulted in the commercialization of the new and innovative A-Star Raptor TM cabinet. This cabinet was initially released in North America in late 2023 in specific jurisdictions and is providing an increased level of interest from our customers across this region. This new cabinet has been ranked as the Top Performing Portrait in North America on the prestigious Elier’s Game Performance Report which is expected to provide increased opportunities across the key American markets. The planned investment to improve technologies and fundamentally improve game performance has been the key priority undertaken to ensure sustained success and financial improvements.

I am encouraged that Ainsworth has maintained and delivered solid operational results during 2023 with revenue increasing to $285 million in the period. This represented a 17% increase on the $244 million in the Prior Corresponding Period (PCP).

Underlying EBITDA for the period was $59 million, an increase of 6% on the PCP with the second half contributing $28 million broadly consistent with the first half of the 2023 year.

Profit Before Tax (PBT), excluding currency impacts and one-off items, was $41.5 million in the period. This resulted in a second half PBT on the same basis of $18.2 million and in line with the guidance outlined by the Company.

Translational foreign currency losses in the period was $21.5 million compared to gains of $2.6 million in the PCP. These were primarily as a result of the significant devaluation in the Argentinian Peso.

Other one-off items outside normal operations included a loss of $17.4 million, resulting from the profit uplift of $1.9 million on the amendment to the GAN exclusivity agreement, a write-down in investments in Argentina of $13.2 million and a non-cash impairment charge of $6.1 million within Latin America.

As was reported at the first half, we considered it necessary to provide 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 had been filed by the trustor of the investments. The write down was considered necessary given the significant macro-economic uncertainties and political instability experienced in the region and the lengthy and complex recovery actions required. These factors combined with the devaluation of the Argentinian Peso against the US Dollar, with a decline of 50% being experienced within December 2023, necessitated the write-down of these investments.

As I have mentioned revenue increased to $285 million, up 17% on the $244 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 $245 million, a 24% increase compared to the PCP and represents 86% of the Group's total revenue.

The gross margin achieved in the period was 62%, consistent with the PCP. The strong average selling prices and an increased proportion of high margin recurring revenue compared to the PCP ensured margins were able to be maintained in the current period.

Group operating costs in constant currency terms were $134.2 million, 14% higher compared to the PCP. The increase in operating costs was mainly attributable to the increase in overall headcount in the current period to ensure talent retention to support business growth and implemented strategies. The increase in operating costs was also attributable to increased variable selling costs on the 17% increase in revenue achieved during the period.

Research & Development (R&D) expenses increased by 25% compared to PCP, reflecting the Company's continued focus on product development investment to produce competitive products. R&D expenses as a percentage of total revenue were 16% in the period, consistent with the 15% in the PCP. A consistent level of investment in R&D is expected to continue as the Company expands its capabilities within established game studios in Australia and the US.

AGT's global headcount was 555 employees at the reporting date with 57% within the Americas, our largest market. This represented an increase of 11% (56 employees) compared to the same period in 2022, with increased Research & Development (R&D) resources accounting for 43% of the overall increase.

With the departure of the previous incumbent Chief Technology Officer, the global organisational structure has been restructured to provide all sales regions with the ability to influence the development of products which can be tailored to suit their specific market requirements. This new reporting structure is expected to ensure greater emphasis is placed on meeting customer demands whilst establishing product leadership and clear lines of accountability to provide efficiencies and the on-going development of 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.

North America continued to perform strongly with revenue in the period of $140.4 million, an increase of 17% on the PCP, representing 57% of total international revenue. High denomination games continue to be the strength of AGT in the United States with multiple games consistently included in Top 25 indexes reported by Eilers and Reel Metrics. Development initiatives initiated to provide greater market share within the low and mid denomination product groupings have resulted in both San Bao Pandas TM and San Bao Dragons TM being reported in the Eilers Top 25 Indexing New Games in 2024. Following the continued success of MTD games in South Dakota, the launch of the games in Louisiana has seen similar success with strong performance of the new Squish Reels TM game in these markets. The exclusive distribution agreement within Montana was extended for an additional year and further opportunities are expected within this state once exclusivity expires.

Machines under operation in North America at the reporting date numbered 3,090, an increase of 9% on the PCP primarily through expansion within Kentucky and Alabama where new placement opportunities occurred in the period. Machines placed under participation and lease (including connection fees), which generate recurring revenue, contributed 53% of segment revenues. Historical Horse Racing ("HHR") products continue to perform with 8,118 units connected to AGT's HHR system at 31 December 2023 with the anticipation of further growth as new installations occur in Kentucky and Alabama during calendar year 2024. Strong average selling prices and increased recurring revenues, along with disciplined cost controls resulted in a rise in segment profit to $65.0 million versus $59.3 million in the PCP, up 10%.

Moving to Latin America and Europe, revenues increased during the current period by 26% compared to the PCP and 142% on the second half of the 2022 calendar year. Unit sales in the current period were 2,264, an increase of 18% on the PCP. This increase was driven by the strong demand and the utilization of import licenses in Argentina which was reported in the first half of CY23.

Demand continues to grow for the A-Star TM range of cabinets and top performing game themes such as Xtension Link TM, and Multi-Win TM games. At the reporting date, a total of 4,132 units were under operation compared to the 3,690 units in prior periods. These units generated $22.6 million in recurring revenue, an increase of 14% on the PCP. Despite the reduction in units under operation reported in the first half of CY23, primarily due to the introduction of regulatory changes in Mexico, strong demand in Peru and Mexico resulted in the installed base of machines under operation increasing 16% in the second half of CY23 with the average yield being maintained at US$12 per day.

As Danny outlined, we can confirm the resolution and agreement with the Mexican Tax Administration Service (SAT), following the completion of the necessary administrative processes. Based on these discussions, the provision established at 31 December 2023 was updated to fully reflect the discussions held with SAT on unpaid duties and associated charges for the relevant years within this region.

I note that a non-cash impairment charge of $6.1 million was recorded in the current period, for the Latin America Cash Generating Unit (CGU). As in previous periods, this impairment charge to the carrying value of assets reflects the reassessment of discount rates, inflationary cost pressures and uncertainties inherent in validating expected revenue in future periods within these regions. These factors contributed to a reduction in the available headroom resulting in a lower recoverable amount for this CGU. This results from the timing nature of the current business model within this region where gaming machines are initially placed under operation which requires these assets to be assessed for impairment purposes, despite the generation of increased participation revenue prior to the potential conversion to sale.

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 $48.8 million in the current period, similar to the PCP. Overall domestic revenues fell by 12% to $39.8 million when compared to the PCP. New South Wales reported an increase of 7%, however both Victoria and Queensland declined and were impacted by minimal corporate sales and competitive market conditions. The release of the new A100 TM hardware at AGE 2023 was positively received and together with a pipeline of new game titles it is expected sales in the Australian region will progressively improve in the second half of the 2024 financial year.

Further market recovery, including changed distribution channels in Asia resulted in revenues of $9.0 million within Asia and New Zealand in the period, an increase of 328% on the $2.1 million in the PCP. 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 contributed revenue of $15.6 million, which included the one-off profit uplift of $1.9 million resulting from the Game Account Network (GAN) contract amendment. These high margin online revenues resulted in segment profit of $14.0 million in the current period. It is expected that with the termination of the GAN exclusivity contract in March 2024, the Group can directly explore further flexibility and opportunities with US operators, aligning future digital and land-based strategies.

Operating cash flows in the period were $27.9 million, an improvement on the $15.4 million reported in the PCP. The improvement was primarily due to prudent working capital management, particularly in a reduction in inventory holding of 19% at 31 December 2023, compared to the prior year. While operating cash flows have improved during the period, investments were made in Argentina and capital expenditure to support the release of new hardware during the year. This resulted in net cash held at the reporting date of $19.4 million, a decrease on the $29.3 million reported at 31 December 2022.

Trading conditions in both domestic and international markets have shown their resilience despite economic challenges. 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 in the second half. Current economic conditions within these markets are showing signs of steady recovery, with an increased level of confidence of operators becoming evident. It is expected that the expected relaxation of current restrictions on the import of gaming products in both Mexico and Argentina, coupled with expansionary opportunities with established customers will provide increased financial improvements in the second half of the year.
Domestic markets are expected to benefit from the A Star 100 TM hardware released in July 2023 and improved game performance following the progressive release of new game titles.

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

We have good momentum and as announced expect to report a Profit before tax, pre-currency and one-offs, in the six months ending 30 June 2024 within the range of $13 million - $15 million. Based on current expectations, it is anticipated that an uplift in earnings will be achieved in the second half of 2024 as market share gains and financial improvements can be realised on the outputs of development initiatives recently commercialized. As we gain greater visibility on the expected financial results for the second half of the 2024 year, we will update the market accordingly.

As I have previously communicated, to ensure continued growth and to sustain our performance, measures introduced are having the desired effects and we are seeing improvements in the outputs of our R&D investments which is expected to lift the competitiveness of our product and provide growth opportunities. We expect that these initiatives will lift the competitiveness of our product and offer more value to our customers. We continue to review our capabilities and talent within R&D in both the Australian and US studios. In addition, the benefits of the new R&D studios now operating are expected to provide more creativity and diversity to our current product offerings. 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. 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.

The global organisational structure is continually assessed to ensure product leadership and clear lines of accountability are established to enable on-going efficiencies and an exciting range of diverse and new product offerings. We are committed to implementing 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.

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 and I now hand you back to Danny.

Ends

For further information, please contact:

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