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Ainsworth Game Technology Limited
Full Year Results (unaudited) – 12 months ended 31 December 2024 (CY24)
Teleconference Script

Harald Neumann, Chief Executive Officer (CEO)

Thank you, operator.

Good morning, everyone and thank you for joining me for the Ainsworth conference call for the release of our audited financial results for the twelve-month period ended 31 December 2024.

Lynn Mah, our Chief Financial Officer, and Mark Ludski, Company Secretary, will also be on the line today.

On the call today I will concentrate on the key points including our progress and the regional review. 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. I note that with the completion of the previous change in reporting periods, the comparative period within the presentation represents the corresponding 12-month period ended 31 December 2023.

Page 5: Results Summary

Let's make a start on page 5 with a summary of the financial results for CY24.

The overall reported results for CY24 were a Profit after Tax (PAT) of $30.3 million, with normalised Profit before Tax (PBT), excluding currency translations and one-off items), of $23.2 million on revenue of $264.1 million.

Underlying EBITDA for the period was $48.2 million, compared to $59 million in the PCP. PBT, excluding currency impacts and one-off items, resulted in a second half PBT on the same basis of $8.9 million and was in line with the market guidance outlined by the Company in November 2024.

As we have previously reported, all disputes with the Mexican tax authorities on import duties and associated charges have been completed, as reflected in the interim financial report for the first half of CY24.

Although we have now resolved all financial obligations on the Mexican matter, the Board has decided to maintain the suspension of dividends to shareholders at the present time given the Company's priorities for commercialization of product initiatives and to maintain a strong financial position. The Board is committed to re-evaluating the paying of dividends in CY25, depending on the maintenance of current product related investments and the necessary working capital requirements to support anticipated production requirements.

Page 6 Gaming Operations

On page 6 we outline that at the reporting date we had a total of 6,871 under Gaming Operation, a slight increase on the 6,790 at the end of the first half. Class II units, including Historical Horse Racing (HHR) units represented 31% of total units. Installations in new and expanded properties in Alabama and Wyoming occurred in the current period.

International revenues accounted for 85% of the Group's total revenue consistent with the PCP. Recurring revenues (including Historical Horse Racing (HHR) connection fees), a strong feature of AGT's business model was $95.5 million in CY24, consistent to the $96.5 million in the PCP.

It is expected that additional HHR opportunities will occur in the coming year following the passing of legislation for a new facility in Wichita, Kansas, more locations becoming available in Ontario, Canada, as well as expansions in New Hampshire, Wyoming and Kentucky.

Page 8 Profit and Loss Summary

Let me turn to the results on page 8.

As I noted, revenue was $264 million, down 7% on the $285 million in the PCP. The reduction was attributable to reduced revenue within Latin America in the current period due to accelerated sales in Argentina in the PCP to capitalize on import licenses and the introduction of import license restrictions within Mexico. The reduced revenue in the digitable segment from contract amendments with GAN was also a contributing factor.

Despite these regulatory restrictions in Latin America, revenue in the second half was $142.7 million, a 17.5% increase on the $121.4 million in the first half of CY24 and was higher than the 12% growth noted in the market update announcement provided, reflecting the positive momentum.

Reflecting this momentum, offshore revenue in the key region of North America contributed total revenue of $147.0 million for CY24, a 16.5% increase on the $67.9 million in the first half and a 5% increase compared to the PCP. International revenue represented 85% of the Group's total revenue consistent with the 86% in the PCP.

The gross margin achieved in the current period was 61%, consistent with the 62% in the PCP. Margins were adversely impacted in the second half of the period by a range of factors, including the product mix of sales in Latin America, competitive market conditions, the planned run-out of previous generation cabinets prior to the launch of the Raptor™ across additional markets and the under-recovery of production variances expensed in the period.

Page 9 Reconciliation of PBT to EBITDA

As outlined on page 9, the underlying PBT was $23.2 million, compared to $41.5 million in the PCP.

Translational foreign currency gains in the current period were $9.6 million compared to losses of $21.5 million in the PCP. These gains were primarily as a result of the strengthening of the US dollar against the Australian dollar compared to the loss recorded in the PCP which was a result of the devaluation of investments held in Argentina and the strengthening of the Mexican Pesos against the US dollar.

Other one-off items outside normal operations included a net gain of $1.1 million, resulting from restructuring costs of $0.9 million undertaken in the period, a profit of $4.1 million resulting from the reversal of previously established provisions with Mexican authorities to reflect actual payments made and a non-cash impairment charge of $2.1 million within the Asian Pacific and Latin American regions.

Page 10 Underlying EBITDA

On page 10 we outline that the reported EBITDA was $58.9 million for the current period. After considering currency and one-off items, underlying EBITDA was $48.2 million, a reduction on the $59.0 million when compared to the PCP. This was primarily attributable to factors in Latin America as I have outlined and the reduced contributions from the digital segment following the termination of exclusivity agreements with Game Account Network (GAN) in March 2024.

Underlying EBITDA margins were 18.3% for CY24 compared to 20.7% in the PCP, reflecting the lower margins in the second half of the current period as I have noted. With progress on the initiatives undertaken it is expected that EBITDA margins will return to historical levels within CY25.

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 $147.0 million, an increase of 5% on the PCP, representing 65% of total international revenue. The A-Star Raptor™ cabinet is currently ranked sixth on the Eilers Top Indexing Portrait Upright, with strong performance on the San Fa™ family of games, including San Fa Rabbits™ and Tigers™ released in the current period. New game releases of Triple Troves™, Reigning Rhinos™ and Dragon's Delight™ have initially performed strongly with Triple Troves™ reported on Eiler's Top 25 for New Core Video.

The Gambler's Gold™ products (keno and poker-based games) have continued to positively contribute to the North American segment. The exclusive distribution agreement within Montana was extended with Golden Route Operations (acquired by J&J Ventures) in October 2024 for an additional 40-month period (until 31 December 2027) for an upfront fee of US$6.8 million and on-going purchase commitments for products per year throughout the agreement term.

Machines under operation in North America at the reporting date were maintained at 3,015 consistent with the PCP, primarily through expansion within Kentucky and Alabama where new placement opportunities occurred in the current period. Machines placed under participation and lease (including connection fees), which generate recurring revenue, contributed 64% of segment revenues. Historical Horse Racing ("HHR") products continue to perform with 8,898 units connected to AGT's HHR system at 31 December 2024 following new installations and expansions in Virginia, Alabama and Wyoming during the current period. Strong average selling prices and recurring revenues, along with disciplined cost controls, resulted in a rise in segment profit to $68.2 million versus $65.0 million in the PCP, up 5%.

Page 19: Latin America & Europe

Turning to page 19

Revenues of $66.8 million were achieved in Latin America/Europe in CY24, compared to $80.1 million in the PCP. As noted, the reduced revenue in the period was attributable to lower sales within Latin America, primarily from the challenging economic conditions in Argentina and import restrictions within Mexico in the current period. Encouragingly these regions have shown positive improvements in the latter part of CY24, and combining with new opportunities within Europe, we expect to achieve revenue increases in CY25 to at least historical levels.

Demand continues to grow for the A-STAR™ range of cabinets with Xtension Link™ being consistently one of the top performing products in the region. At 31 December 2024, a total of 3,856 units were under operation, generating $22.6 million in recurring revenue, similar to the PCP, with the average yield being maintained at US$12 per day.

Page 21: Asia Pacific

Page 21 outlines the region of Asia Pacific. As we have previously reported this segment consolidates Australia, New Zealand, and Asia under the one region as a result of previously changed management responsibilities introduced.

AGT's Asia Pacific (Australia, New Zealand, and Asia) performance was lower in the period as competitive market conditions continued. Revenue was $42.7 million, a decrease on the $48.8 million in the PCP. The region achieved 1,406 unit sales in the period with Australia representing 1,308 of total units, a slight increase on the PCP. Average selling prices were $24.7 thousand, a slight decline on the PCP due to discounts to achieve runout of inventory of previous generation models prior to the launch of the A-Star Raptor™ cabinet in February 2025. Segment profit declined to $2.7 million, compared to $3.4 million in the PCP.

The successful launch of the Raptor™ cabinet within domestic markets has received positive feedback from our customers similar to other markets where this product has been released. It is expected that revenue increases will be achieved in coming periods as we commercialise a strong portfolio of products developed on this new hardware.

Page 22 Online

On page 22 we outline the Digital segment which reported revenue of $7.6 million, compared to $15.6 million in the PCP, 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 $6.9 million in the current period. Following the termination of the GAN exclusivity contract in March 2024, the Group continues to directly explore further opportunities with global operators, including BetMGM, Caesars, DraftKings, Resorts and Rush Street to progressively return to historical revenue levels.

I will now ask Lynn to outline a summary on the financials.

LYNN MAH, Chief Financial Officer

Thank you, Harald,

Slide 11: Operating Costs

Turning to page 11. Operating costs were carefully controlled in the current period, rising by 1.0%. Group operating costs in constant currency terms were $139.0 million, consistent with the PCP. Operating costs reflected a reduction in variable selling costs on the lower revenue achieved during the period which assisted to offset the increase in development expenditure and the increase in overall headcount in the second half of CY24 to ensure talent retention to support business growth.

Research & Development (R&D) expenses increased by 8% compared to the 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 19% in the current period, an increase on the 16% in the PCP. This commitment to investment in R&D is expected to ensure the Company's products remain competitive in the industry.

Slide 12: Staff Headcount

On page 12 AGT's global headcount was 542 employees at the reporting date with 62% within the Americas. This represented a reduction compared to the same period in 2023, with reductions in Asia Pacific offsetting additional resources within the Americas. Research & Development (R&D) resources remained consistent with the PCP at 172, however 48% were located within the Americas compared to 42% at the same period in 2023.

The global organisational structure provides new 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.

Slide 14: Balance sheet

As Harald has consistently 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 $9.7 million with undrawn facilities in place for US$43.7 million.

Initiatives introduced to stabilise supply chain risk and manage working capital resulted in a reduction in inventory holdings of 6% compared to 31 December 2023.

The company has $361 million of net assets at the reporting date.

Slide 15 Cash Flow

On page 15, operating cash flows in the period included payments of $28.5 million made to SAT in the current period. Borrowings on the established loan facility to facilitate payments to SAT were partially repaid in the period from strong operating cash flows. Net cash held at the reporting date was $9.7 million, a decrease on the $19.4 million reported at 31 December 2023 following the payments to settle all disputes with SAT.

To ensure additional liquidity the previous loan facility established with Western Alliance Bancorporation (WAB) was amended on 30 December 2024 resulting in an increased facility amount of US$50 million with a new 5-year term (expiring on 30 December 2029). All other terms remained similar to the previous facility established.

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

Conclusion and Summary

Thank you, Lynn.

In conclusion, AGT enters CY25 with a solid foundation following good progress in the 2024 calendar year against identified strategies with good momentum and an expectation of continued improvements in product performance and profitability.

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 return to at least historical levels as regulatory constraints are eased in this region.

Domestic markets are expected to benefit from the Raptor™ hardware released combined with further improvements in game performance following the release of new game titles. We look forward to improvements in Australia, where we will continue to leverage our key strengths of AGT's trusted brand and the Company's enduring commitment to develop superior game technologies.

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

As I have previously communicated, for us to ensure continued growth and to sustain our performance, measures have been introduced and we are starting to see the benefits from these improvements in the output of our R&D investments, which is expected to lift the competitiveness of our product and provide growth opportunities.

The expanded capabilities within R&D in both the Sydney and Las Vegas studios as well as additional R&D studios are now operating 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.

We have been committed 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.

Before I close, I would like to formally thank the Board and my colleagues at Ainsworth for their contributions to the progress made in CY24. I am confident we have put in place the necessary actions and are well placed to improve our financial performance over coming periods.

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

Thank you, operator.

Ends

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