

# 1H14 Results Announcement

Ainsworth Game Technology Limited



[www.ainsworth.com.au](http://www.ainsworth.com.au)

## Disclaimer

### IMPORTANT NOTICE

This presentation has been prepared by Ainsworth Game Technology Limited ACN 068 516 665 (AGT) in good faith. No express or implied warranty is given as to the accuracy or completeness of the information in this document or the accompanying presentation. All statutory representations and warranties are excluded, and any liability in negligence is excluded, in both cases to the fullest extent permitted by law. No responsibility is assumed for any reliance by any person on this document or the accompanying presentation.

### Summary information

The information contained in this presentation is a summary overview of the current activities of AGT. This presentation does not purport to be all inclusive or to contain all the information that a prospective investor may require in evaluating a possible investment. This presentation is for general information purposes and is not intended to be and does not constitute a prospectus, product disclosure statement, pathfinder document or other disclosure document for the purposes of the Corporations Act and has not been, and is not required to be, lodged with the Australian Securities & Investments Commission. This presentation should be read in conjunction with all other periodic and continuous disclosure announcements lodged by AGT with the Australian Securities Exchange, available at [www.asx.com.au](http://www.asx.com.au).

### Not financial product advice

The material contained in this presentation is not, and should not be considered as, financial product or investment advice. This presentation is not an offer, invitation or recommendation to acquire New Shares, and does not take into account the investment objectives, financial situation or particular needs of any particular investor. You must make your own independent assessment and review of AGT, and the information contained, or referred to, in this presentation, including its financial condition, assets and liabilities, financial position, profits and losses, prospects and business affairs, including the merits and risks involved. Nothing in this presentation constitutes investment, legal, tax or other advice. You should seek legal, financial, tax and other advice appropriate for your jurisdiction.

### Past and future performance

This presentation contains information as to past performance of AGT. Such information is given for illustrative purposes only, and is not – and should not be relied upon as – an indication of future performance of AGT. The historical information in this presentation is, or is based upon, information contained in previous announcements made by AGT to the market. These announcements are available at [www.asx.com.au](http://www.asx.com.au).

This presentation contains certain “forward looking statements”. Forward looking words such as “expect”, “should”, “could”, “may”, “will”, “believe”, “forecast”, “estimate” and other similar expressions are intended to identify forward-looking statements. Such statements are subject to various known and unknown risks, uncertainties and other factors that are in some cases beyond AGT’s control. These risks, uncertainties and factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements and from past results, performance or achievements. AGT cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that AGT’s business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this announcement and AGT assumes no obligation to update such information.



1. Results Highlights

2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
7. Gaming Products
8. Outlook
9. Questions



## 1H14 Financial Highlights

- Net profit after tax of \$35.7 million, including a tax expense of \$9.9million
- Profit before tax of \$45.6 million, an increase of 51% on pcp
  - Consistent with the guidance provided on 17 January 2014
- Total sales revenue of \$121.8m, an increase of 26% on pcp
  - Domestic revenue \$81.4 m (+23 % on pcp)
  - International revenue \$40.4 m (+33% on pcp)
- South America recorded an increase of 380% and represented 70% of overall international revenue
- Total machine install base under Game Operations of 1,543 in the Americas (+172% on pcp)
- Interim dividend
  - FY14 interim declared dividend of 5 cents per share
  - Dividend payout ratio of 45% of profit after tax

## 1H14 Operational Highlights

- Continued strong game performance
  - Including Double Shot™, Quad Shot, MultiPlay™ Big Time II and Players Paradise
  - Supported by investment in R&D (~10% of revenue in 1H14)
- Further market share gains were achieved in 1H14
  - Approval and initial installations of the A560™ and Quad Shot in Victoria
  - Commencement of operations in Argentina and Mexico entities have further strengthened the Group's presence in the South America region
- The display of Reels of Wheels™, Magnificent Seven™ and the newly designed A560 SL™ 32 inch cabinet at G2E Gaming Exhibition (although not approved or partly commercialised in 1H14)
- Introduction of performance right plan for all employees (in July 2013) as part of the Group's long term incentive programme
- Acquired approximately 24 acres of land in Las Vegas to allow the Group's continued expansion in the America
- Established \$30m multi option currency facility with ANZ Banking Group

1. Results Highlights

2. Consolidated Results

3. Segment Results - Australia

4. Segment Results – North America

5. Segment Results – Rest of the World

6. Regulatory / Licensing Update

7. Gaming Products

8. Outlook

9. Questions



## Consolidated Results – P&L

- Strong continued domestic and international revenue growth, in particular Victoria and Latin America
- Increase in product offerings and continued high product performance
- Reduction in effective income tax rate to 22% due to deductibility of up front contributions paid on long term incentive plans and unrealised foreign exchange gain
- Interim FY14 dividend announced of \$0.05 per share (payout ratio of 45% of NPAT)

A\$m	6 months to 31 Dec 2013	6 months to 31 Dec 2012	Change (%)	Change (%)
Domestic revenue	81.4	66.2	▲	23%
International revenue	40.4	30.3	▲	33%
<b>Total revenue</b>	<b>121.8</b>	<b>96.5</b>	<b>▲</b>	<b>26%</b>
Gross profit	77.8	65.3	▲	19%
<b>EBITDA</b>	<b>49.7</b>	<b>31.9</b>	<b>▲</b>	<b>56%</b>
PBT	45.6	30.1	▲	52%
Income tax expense	9.9	8.2	▲	21%
<b>NPAT</b>	<b>35.7</b>	<b>22.0</b>	<b>▲</b>	<b>62%</b>
R&D (% of revenue)	10%	11%	▼	
<b>EPS (diluted) (A\$)</b>	<b>0.11</b>	<b>0.07</b>	<b>▲</b>	
DPS (A\$)	0.05	0.03	▲	

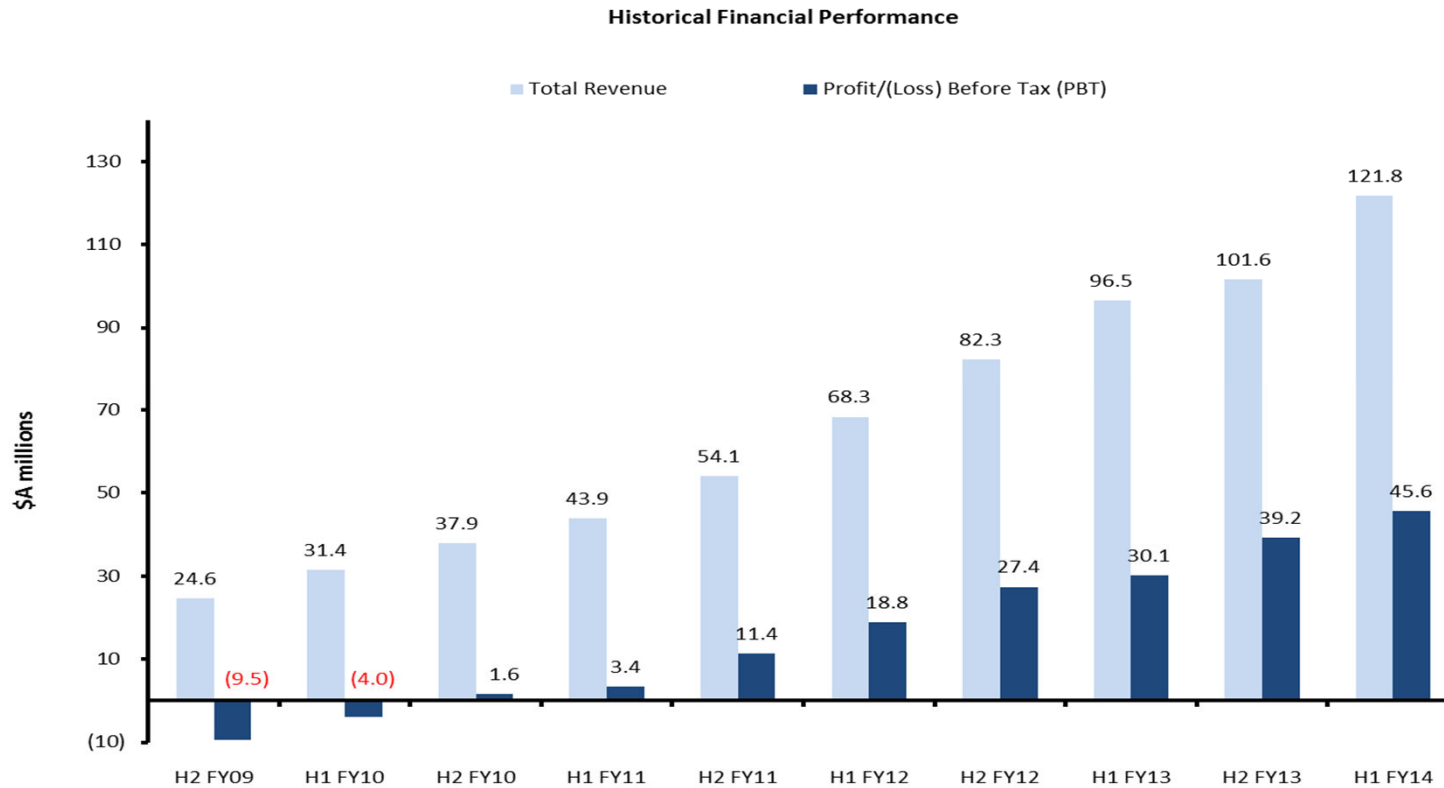
## Consolidated Results – Balance Sheet

- Strong balance sheet
  - Net cash position of \$61.0m as at 31 December 2013
  - \$5.1m in term deposits greater than 90 days classified in receivables
- Strong operating cash flows (net cash from operating activities of \$31.1m)
- US\$ 7m was paid for acquisition of land in Las Vegas in August 2014
- FY 2013 final dividend of \$16.1m paid in September 2013
- Utilisation of deferred tax assets (tax losses expected to be fully utilised by 30 June 2014)

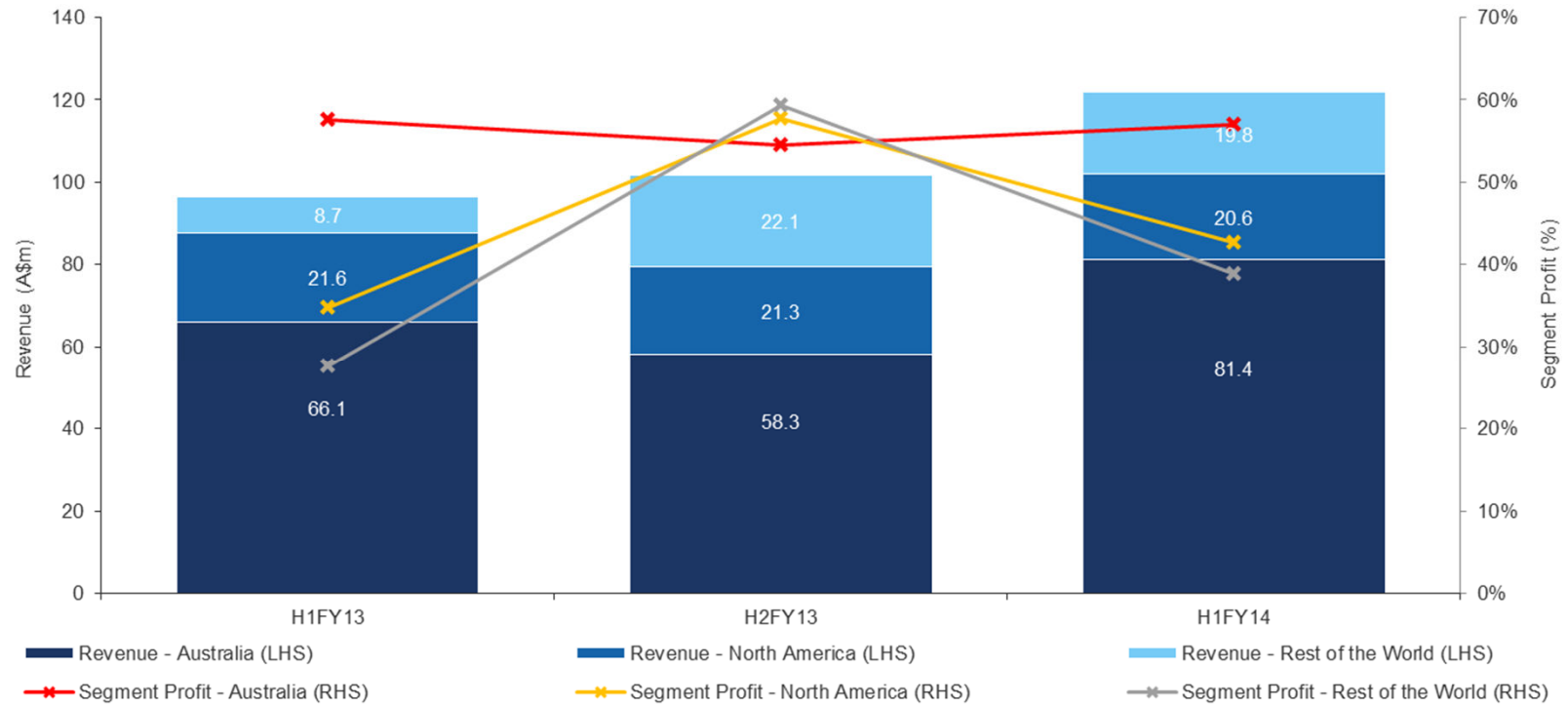
A\$m	31 Dec 2013	30 Jun 2013	Change (%)
Cash	61.0	40.1	+52%
Receivables	86.0	106.4	-19%
Other Current Assets	38.7	30.7	+26%
<b>Total Current Assets</b>	<b>185.7</b>	<b>177.2</b>	<b>+5%</b>
Non-Current Receivables	21.5	22.0	-2%
Deferred Tax Assets	3.2	12.4	-74%
Other Non-Current Assets	50.3	34.4	+46%
<b>Total Non-Current Assets</b>	<b>75.0</b>	<b>68.8</b>	<b>+9%</b>
Payables	22.4	27.6	-19%
Loans and borrowings	0.7	0.5	+40%
Other Current Liabilities	12.0	12.5	-4%
<b>Total Current Liabilities</b>	<b>35.1</b>	<b>40.6</b>	<b>-14%</b>
Loans and borrowings	0.2	0.4	-50%
Employee Benefits	0.7	0.6	+17%
<b>Total Non-Current Liabilities</b>	<b>0.9</b>	<b>1.0</b>	<b>-10%</b>
Share Capital	182.3	182.3	-
Other Equity	42.4	22.1	+92%
<b>Total Equity</b>	<b>224.7</b>	<b>204.4</b>	<b>+10%</b>



## Historical Revenue and Performance Trend



## Contributions from market segments



1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
7. Gaming Products
8. Outlook
9. Questions

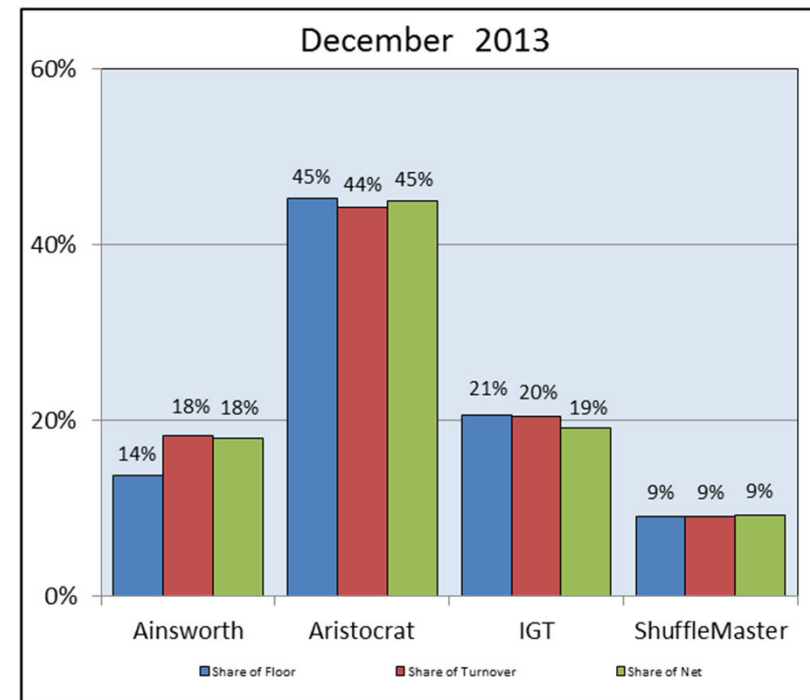
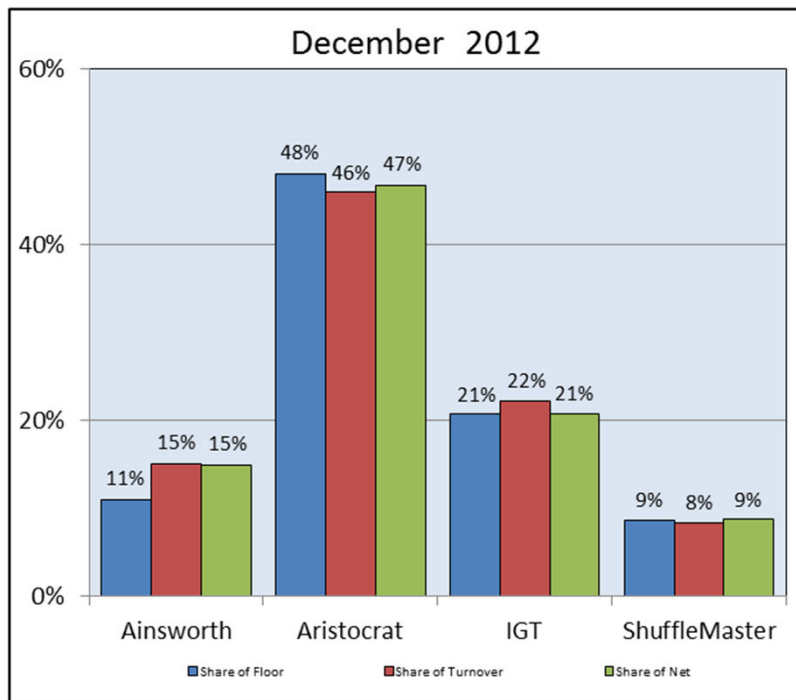
## Segment Results - Australia

- Continuing Growth in NSW, Qld and Victoria
- Revenue for Victoria increase by 373% resulting from implemented sales initiatives and strong product performance
- Continuing Mid Denomination excellence - Multiplay™ Big Time II
- Stronger Low Denomination Performance - Quad Shot™ A560ST™

A\$m	6 months to 31 Dec 2013	6 months to 31 Dec 2012	Change (%)	Change (%)
Revenue	81.4	66.2	▲	23%
Segment Profit	46.4	38.1	▲	22%
Segment Profit (%)	57%	58%	▼	1%
Unit Volume (no.)	3,400	2,811	▲	21%
ASP (ex rebuilds) (\$A'000's)	20.3	20.1	▲	1%
Service Revenue	2.8	2.7	▲	4%

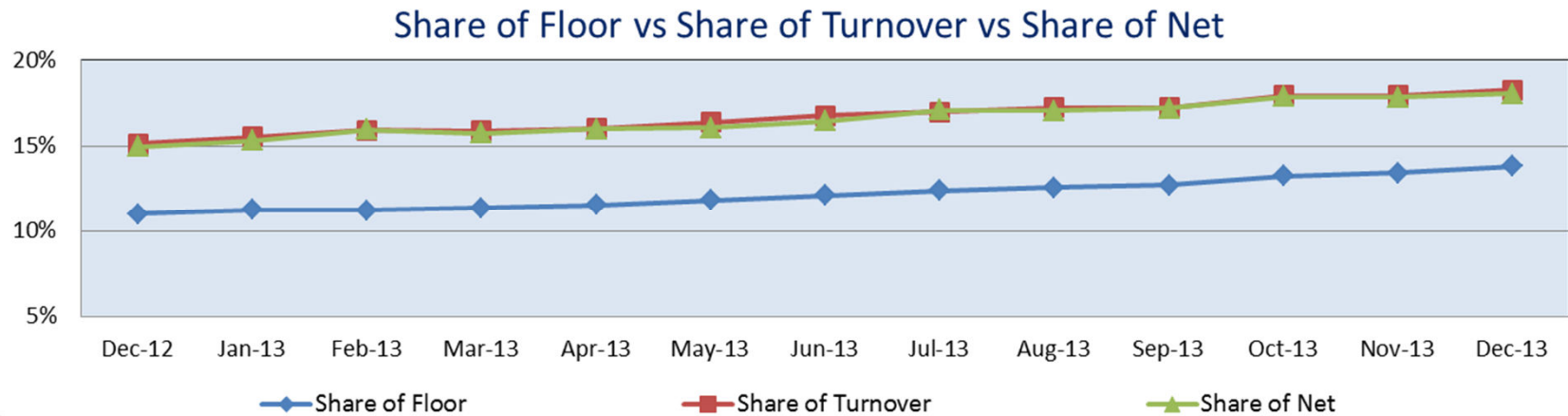
## Floor Share and Turnover Contribution NSW Clubs

- Ainsworth's floor share, turnover contribution and net contribution within NSW Clubs have increased over the last 12 months



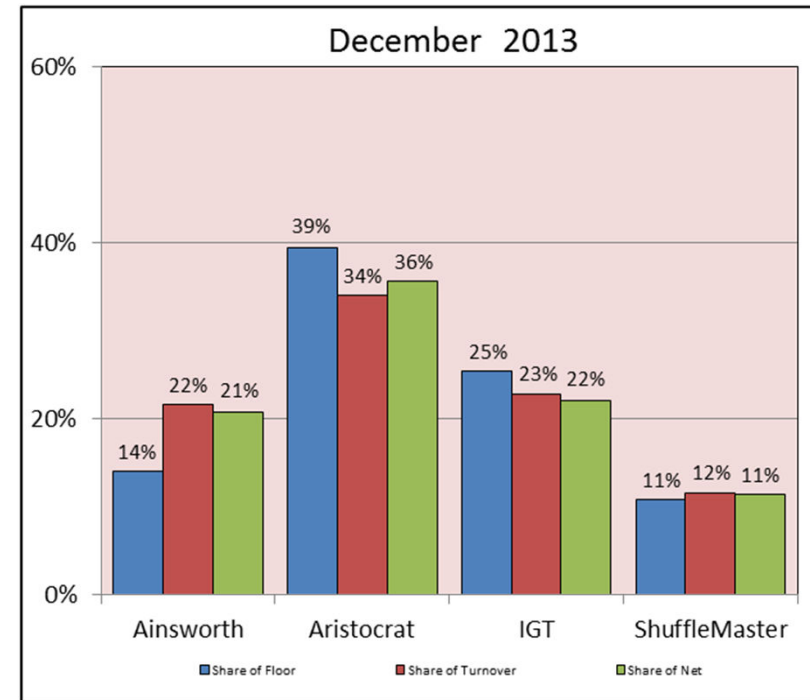
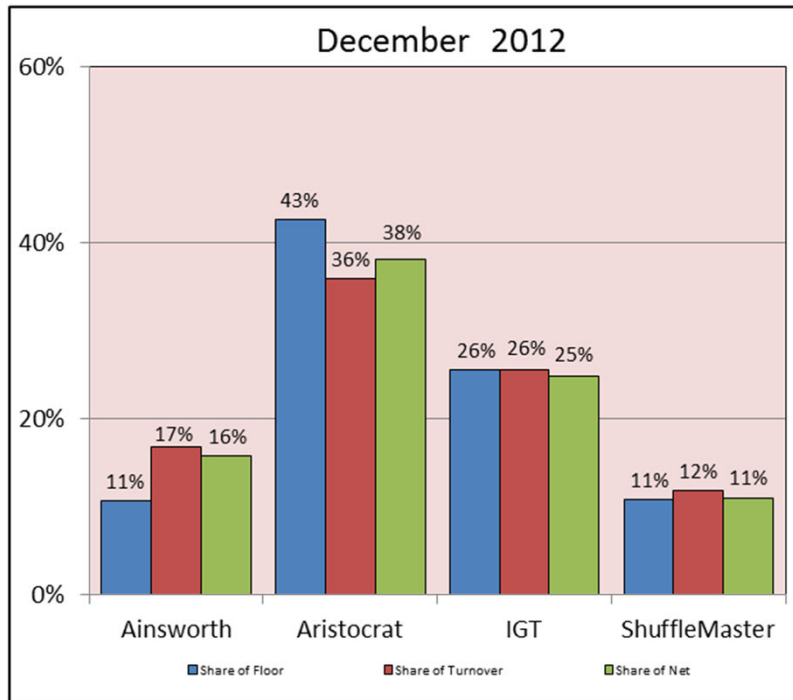
## Floor Share and Turnover Contribution NSW Clubs

Ainsworth Install Base - NSW Clubs							
	Overall	1c	2c	5c	10c	20c	\$1
December 2012	3892	2125	447	883	189	49	199
December 2013	5094	2746	609	988	308	38	405
Difference	1202	621	162	105	119	-11	206
Percentage	31%	29%	36%	12%	63%	-22%	104%



## Floor Share and Turnover Contribution QLD Clubs

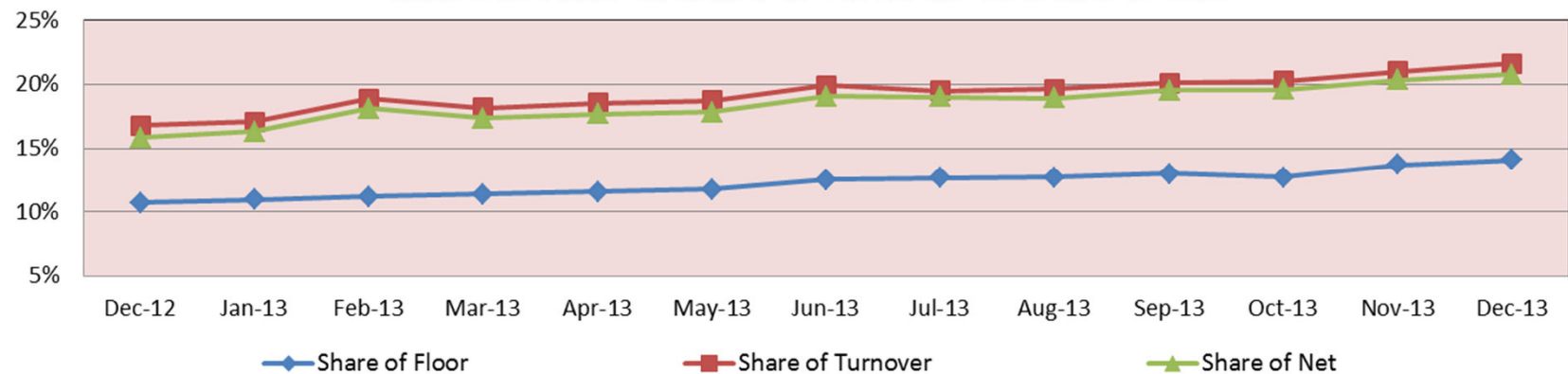
- Ainsworth's floor share, turnover contribution and net contribution in QLD Clubs & Hotels also increased considerably over the last 12 months



## Floor Share and Turnover Contribution QLD Clubs

Ainsworth Install Base - QLD Clubs & Hotels							
	Overall	1c	2c	5c	10c	20c	\$1
December 2012	3699	849	819	1958	2	22	49
December 2013	4878	1113	1569	2066	41	14	75
Difference	1179	264	750	108	39	-8	26
Percentage	32%	31%	92%	6%	1950%	-36%	53%

Share of Floor vs Share of Turnover vs Share of Net





1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
7. Gaming Products
8. Outlook
9. Questions



## Segment Results – Nth America

- Limited Commercialisation of premium products (Reels of Wheels™, Magnificent Seven™ and A560 SL™ 32 inch cabinet)
- Delaware, Montana and Mississippi market opportunities to be crystallised in 2H14
- Growth in Recurring Installed Base
- Growth of Units on Trial
- Improving Fee per day in particular venues outside of Nevada

A\$m	6 months to 31 Dec 2013	6 months to 31 Dec 2012	Change (%)	Change (%)
Revenue	20.6	21.6	▼	5%
Segment Profit	8.8	7.5	▲	17%
Segment Profit (%)	43%	35%	▲	8%
Unit Volume (no.)	804	825	▼	3%
ASP (US\$'000's) *	16.5	16.8	▼	2%
Units on Trial	281	229	▲	23%
Game Operations – Installed Base	780	416	▲	88%
Ave per Day (US\$)	37	26	▲	42%

\* excludes distributor sales, reworks & on-charges

1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
7. Gaming Products
8. Outlook
9. Questions



## Segment Results – Rest of World

- South America delivered revenue increase of 380% on pcp
- Commencement of operations in Argentina and Mexico entities have further strengthen the Group's presence in the South America region
- Increase in participation installed base
- All other international markets maintained similar level of revenue on pcp

A\$m	6 months to 31 Dec 2013	6 months to 31 Dec 2012	Change (%)	Change (%)
Revenue	19.8	8.7	▲	128%
Segment Profit	7.6	2.3	▲	230%
Segment Profit (%)	38%	26%	▲	12%
Unit Volume (no.)	1,001	405	▲	132%
Units on Trial	192	249	▼	23%
Game Operations – Installed Base	763	152	▲	402%
Average per Day (US\$)	15	15	-	-

1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World

6. Regulatory / Licensing Update

7. Gaming Products
8. Outlook
9. Questions

## Product Approvals – 1H14

<b>A560</b>	Dominican Republic	Northern Territory Hotels & Clubs	Montana
<b>A560ST</b>	Chile Macau	Montana Panama	Western Australia Casino
<b>QX32</b>	Adelaide Casino Idaho Tribal	Macau	Ontario
<b>A560SL</b>	New Jersey	Pennsylvania	California

## Regulatory Update - Licenses

- Ainsworth has obtained 11 new licenses since July 2013

Agency	State
Robinson Rancheria Gaming Commission	California
Pueblo of Tesuque Gaming Commission	New Mexico
Omaha Tribal Gaming Commission	Iowa
Plt River Gaming Commission	California
Siletz Tribal Gaming Commission	Oregon
Nez Perce Tribe Gaming Commission	Idaho
Chicken Ranch Gaming Commission	California
Habematolel Pomo of Upper Lake Gaming Commission	California
Graton Rancheria Gaming Commission	California
Mississippi Gaming Commission	Mississippi
Lac du Flambeau Band of Lake Superior Chippewa Indians	Wisconsin

## Regulatory Update - Licenses

- The Group is licensed by every domestic regulator in Australia, holds licences in 19 US states and 107 Indian tribal licences, and is registered with three provinces in Canada. It is also licensed in seven other countries namely Macau, Philippines, Singapore, Greece, the Dominican Republic, Peru and Puerto Rico
- The Group was granted its Mississippi Manufacturer & Distributor License on 16<sup>th</sup> January 2014. This enables the Group to manufacture, sell, and/or distribute any gaming device or associated equipment for use and play in the state of Mississippi





## Regulatory Update – Licenses (cont.)

- Consideration of the Group’s appeal against an order of denial issued by the Missouri Gaming Commission (MGC) for a permanent Supplier License has been listed for consideration by the MGC on 30 April 2014
  - The Appeal Hearing Officer has provided the Group and the MGC a copy of recommendation to the MGC, which supports the denial of the Group’s license application. The Group rejects the contents of the recommendation and asserts it contains significant errors of both fact and law that require its rejection by the MGC. The recommendation has no legal effect and the MGC may adopt, modify or reject the recommendation
  - Ainsworth is preparing detailed submissions addressing the recommendation that will be presented along with oral arguments prior to the MGC making its determination. Given the Group does not currently hold a license in Missouri, the outcome of the appeal is not expected to have any material impact on the Group and in any event, if determined appropriate the Group will continue to pursue all avenues of review and appeal against the rejection of its application

1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
- 7. Gaming Products**
8. Outlook
9. Questions





- Approval and initial installations of the A560™ in the Victorian club and hotel market



- Approvals gained GLI-11 launch program underway FY14 2<sup>nd</sup> half





# QUAD Shot

- Approval gained and launch of initial games into Victoria club and hotel market FY14 2<sup>nd</sup> half



- Now approved in North America and selected South American jurisdictions

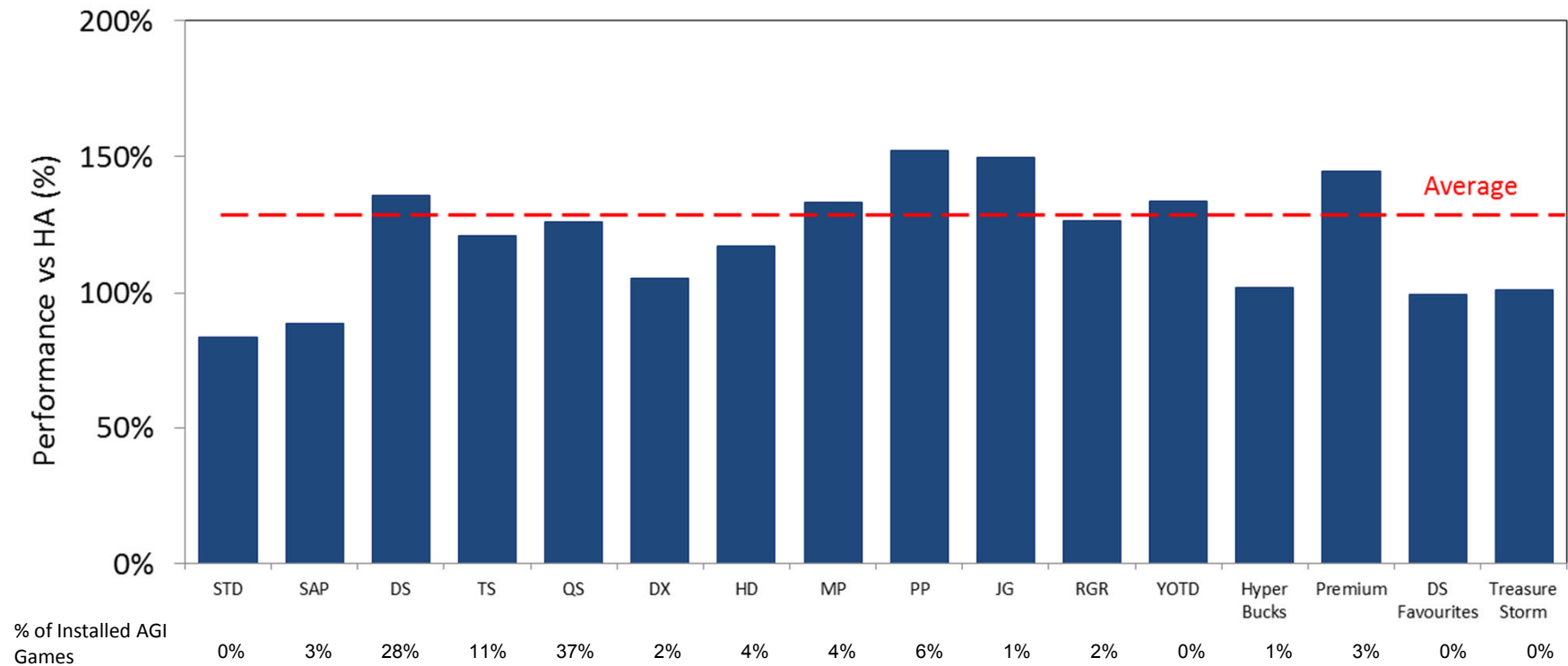




- Worldwide launch in 3<sup>rd</sup> Quarter, unique SAP games incorporating animated Wheel feature

## Australia – A560

Consistent performance of A560 product with 128% Average performance against the house average in Australia (NSW: 123%; QLD 133%)



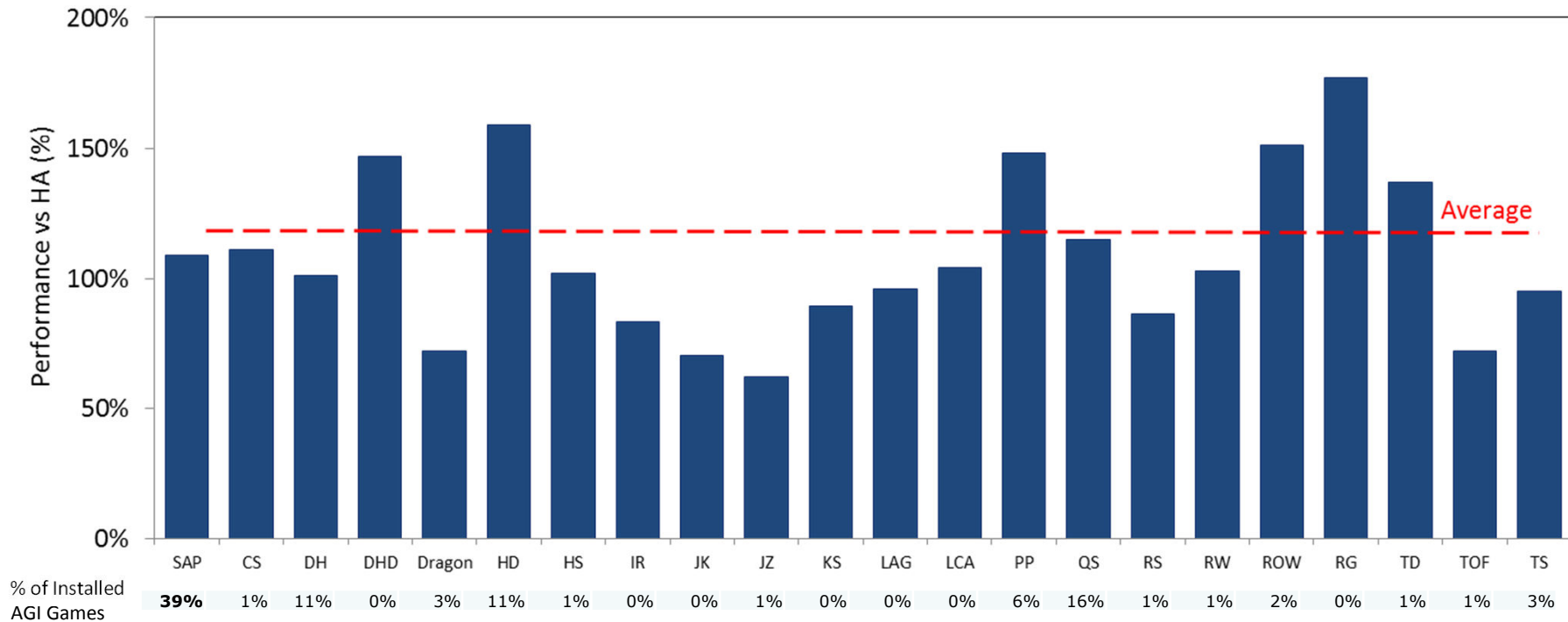
DS - Double Shot	TS - Triple Shot	QS - Quad Shot	DX - Deluxe	HD - High Denom	DS Favourites
MP - Multi Play	PP - Players Paradise	JG - Jackpot General	RGR - Rio Grande Rapids	YOTD - Year of the Dragon	Treasure Storm





## North America – A560

Consistent performance of A560 product with 116% Average performance against the house average in North America



SAP - 40/50/100	CS - Chief Series	DH - Double hit	DH - Double hit	DHD - Double hit Deluxe	HD - High Denom	HS - Hummin Series	IR - Ica Reef	JK - Jackpot Kingdom	JZ - Jackpot Zone	KS - King spin
LGA - Latin American Games	LCA - Lights, Camera, Action	PP - Players Paradise	QS - Quad Shot	RS - Rapid Strike	RW - Red Wolf	ROW - Reels of Wheels	Rio Grande	TD - Thunder Dragon	TOF - Tower of Fortune	TS - Triple Shot





**ONLINE**



- Remote Gaming Server (RGS) GameConnect™ development underway both:
  - Flash (Desktop)
  - HTML5 (Mobile)
- Targeting 20 games for launch in the 1<sup>st</sup> and 2<sup>nd</sup> QTR's FY2015
- In negotiation with major European Operators for content supply
- Launched games in partnership with Game Account Network (GAN) in
  - Italy – SNAI, Sisal, Paddy Power
  - New Jersey - BetFair, Trump
  - Foxwoods (Pay for Play)
- Looking at Social Gaming Opportunities

1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
7. Gaming Products
8. Outlook
9. Questions



## FY2014 Outlook

- For the second half of FY14, the Group expects growth in revenue and profitability from all global markets, primarily driven by increasing opportunities in the key market of North America
- New markets of Delaware, Montana and Mississippi together with premium product approvals will assist North America in delivering revenue growth in the second half of FY14
- Online strategy is not expected to deliver any material profit contribution until FY15
- After considering growth opportunities and a commitment to return profits to shareholders, Ainsworth will continue to target a dividend payout ratio of 40-60% of NPAT

1. Results Highlights
2. Consolidated Results
3. Segment Results - Australia
4. Segment Results – North America
5. Segment Results – Rest of the World
6. Regulatory / Licensing Update
7. Gaming Products
8. Outlook

9. Questions



## Thank You

Thank you for your interest in Ainsworth Game Technology Limited

Please visit us at [www.ainsworth.com.au](http://www.ainsworth.com.au)



[www.ainsworth.com.au](http://www.ainsworth.com.au)