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**Ainsworth Game Technology Limited**  
**2014 Annual General Meeting Addresses**

**EXECUTIVE CHAIRMAN**

(Presented by Mr LH Ainsworth)

Ladies and Gentlemen,

I am pleased to report that the Company achieved another strong result for FY14 with earnings up 18% on the previous year and total dividend payments for the year of 10 cents per ordinary share. These dividends represented 52% of after tax profits in line with the Board's commitment to return profits to shareholders and the previously advised dividend policy. We expect to generate franking credits in the FY15 period resulting in future dividend payments being able to be at a minimum partially franked.

During 2014 our revenue grew 23% to \$244 million on the previous year resulting in the fifth consecutive year of growth achieved. Significantly international revenue now represents 41% of total revenue and given our focus and investment to capture an increased market share in current and new international markets we expect international markets to represent an increasing proportion of our revenue.

Within Australia I have over the years witnessed first-hand significant changes and evolution in the dynamics of the gaming industry, however one thing I am convinced on is its sustainability. At the present moment the domestic market appears soft with lower placements occurring combined with new regulatory changes primarily within Victoria. These cycles are short term as seen with the introduction of smoking bans at licensed venues in 2007 which had an initial limiting effect however soon recovered to more traditional replacement levels. I am confident that the range of cabinet configurations and game titles we have produced and those that are in the pipeline will ensure the

dominant position we have established in domestic markets will be at least maintained if not strengthened.

In the domestic markets the A560SL™ was recently launched into the New South Wales club and hotel market with seven titles now approved together with a new multi-game multi-denomination offering Multi Win Ultimate Choice™. Our Quadshot™ branded titles continue to perform strongly in all segments as do various multi-game packages launched into different markets.

The Company is eagerly awaiting the approval of the new Frontier™ link progressive series in both New South Wales and Queensland, which is modelled on the highly successful Players Paradise link progressive with further progressive packages and new game brands planned for release in this financial year.

The Victorian market is undergoing significant regulatory changes following the transition to the new monitoring provider. The introduction of voluntary pre-commitment and gaming taxes is having an initial negative affect on the Company's revenue contribution from those achieved in previous historic periods. As with all gaming markets an element of change is inevitable and creates cyclical periods however over time these markets recover to more traditional replacement cycles.

Internationally we continue to make significant inroads with revenue increasing 37% in FY14 compared to the previous period. In addition to outright sales, machines under recurring revenue arrangements in the Americas have increased to approximately 2,000 gaming machines with plans to expand on this in the coming period. Good progress continues to be achieved in all sales and operational areas within the Americas under the leadership of our Presidents for North America and Latin America, Mike Dreitzer and Miguel Cuadros. I am confident that the foundations and investment made in these key international markets will continue to produce an increasing contribution to the financial results of the Company.

Given the vast opportunities within the Americas the Company has commenced plans to build a purpose built facility on the land previously acquired as its international headquarters. The construction is expected to commence in early 2015 with an estimated completion date in the first half of calendar year 2016. An official ground breaking ceremony in Las Vegas recently was attended by a number of notable dignitaries, including Governor Brian Sandoval, Congressman Heck, County Commissioner Steve Sisolak, Representatives from the offices of Senators Harry Reid and Dean Heller, University of Nevada, Las Vegas president Don Snyder, and other gaming industry leaders.

The Asian market presented challenges following regulatory changes introduced during 2014. The replacement of gaming machines within this market together with proposed new venue openings is expected to steadily realise increasing revenue opportunities in coming periods.

We continue to actively pursue additional gaming licenses to expand our global footprint in new jurisdictions. We currently have over 163 unique global licenses across world markets with further license submissions awaiting determination by regulatory authorities. These license approvals are the first step to gain access to new markets prior to the supply of product.

We continue to invest in product initiatives with Research and Development activities representing 11% of revenue. This investment is the cornerstone of ensuring we produce and release a mix of innovative and entertaining software combinations in a range of hardware configurations.

At the recently held gaming exhibition in Las Vegas the Company showcased an exciting range of products, including two new licensed themed products for the participation market, being Showgirls™ and Sound of Music™. These themes are progressing through product approval cycles and are expected to be available in the second half of FY15. Customer feedback at this G2 Gaming Exhibition was exceptionally encouraging and I was pleased to hear that the Company's A560SL™ product was consistently performing above house average. The Sweet Zone™ game Rumble Rumble™ was in some instances producing results in excess of 200% of house average. Additional titles using this style of game including 40 new game titles across our range of products is expected to create further growth opportunities.

The global Gaming industry has recently seen significant changes with a proliferation of major corporate activity and consolidation. I am often asked for my views on this and can confidently state that the solid platform and reputation AGT has established and the product pipeline of innovative game content should present us greater opportunities to further increase our market share in world markets.

The greatest change I have witnessed is the emergence of online gaming both real money and social casino gaming. The proliferation of social networks have created massive user bases in the social casino segment which could provide the gateway to real money gaming. Current expectations are that the social casino segment will reach US \$3 billion in gross revenues in 2014 with growth to US \$5 billion in the next four years.

Over the past 12 months our digital strategy has been established to service the key market segments of real money wagering and social casino gaming and participate in these revenue opportunities. I'm pleased to report the launch into these markets is on track for the first quarter 2015 following an initial content supply agreement being completed with Playtech PLC for the UK and European regulated markets.

As we announced in August this year we entered into a joint venture with 616 Digital to create a social casino offering on both desktop and mobile devices with an expected launch of the Players Paradise Casino in January 2015 and further site releases are planned through the remainder of the 2015 calendar year. This strategic investment in the real money and social online market segment will provide ongoing revenue contributions as well as increased brand recognition to further grow our land based business in a number of international markets.

We have now established a strong financial position and are well recognised within the global gaming industry. We expect to further increase our international revenue in FY15 and continue to pursue initiatives to enable us over the medium term to further strengthen our established position in domestic markets. We are well placed to continue to evaluate strategic and organic opportunities to create and enhance shareholder value.

In summary, we believe we are well placed for progress on all fronts, but it cannot be forgotten that worldwide we have multiple, well-financed competitors, and the industry as a whole is subject to the vagaries of regulators at all times.

Finally, I would like to acknowledge the Board for their valuable insights and contribution, our Chief Executive Officer, Mr. Danny Gladstone, the strong leadership team and our valued and talented employees for their continued contributions to the success of the Company.

I will now hand you over to Chief Executive Officer, Mr. Danny Gladstone, to provide an overview of the Company's operations and outlook for FY15.

## **CHIEF EXECUTIVE OFFICER**

(Presented by Mr D Gladstone)

As was outlined the 2014 year resulted in further financial gains with profit after tax of \$62 million, an increase of 18% on the previous 2013 year. The financial results now being achieved are a culmination of plans and strategies over the last 4 – 5 years that have enabled the company to establish a strong foundation from which to target growth opportunities across global markets.

During FY14 the Company achieved total revenue of \$244 million, an increase of 23% on the previous year. Further gains within Australia and the key international segment of the Americas were achieved during the period.

Gross margin was 64%, the same as the reported margin for the first half of FY14, however down compared to 66% in the prior corresponding period. The margin decline can be attributed to a greater contribution from international regions, specifically Latin America which increased its contribution to 32% of international revenue compared to 27% in the previous year. Other factors contributing to the decline in margin include the continued diversification of product offerings such as Megatop™, Wide Boy™ and Slant Top™, including the bench top model; volume discounts to large corporate customers within the Americas; and further transitional product costs on the initial launch of the A560SL™ within the Americas.

EBITDA was \$89 million compared to \$74 million in the prior corresponding period, an increase of 21% and reflecting our continued focus on profitability across the group.

Overheads excluding cost of sales, other expenses and financing costs increased 17% to \$77 million in the period. This increase was driven by increased variable selling costs in line with revenue increases, increased R&D on product development, including online investment and the full year impact of investment within the operational facility in Las Vegas.

Further investment in resources and capabilities has resulted in our global workforce increasing 14%, with the operational facility in Las Vegas now employing 24% of total employees. This facility now has established a framework to provide the necessary support to capitalise on international revenue opportunities over coming years. The purchase of vacant land during the period will allow the group to progress construction plans for a purpose built facility to service this significant market.

The Group continues to maintain a strong balance sheet with minimal debt and net cash of \$72 million. This position allows the group to continue to invest in establishing an expanded pipeline of innovative products for outright sale and units under gaming operation, the progression in online strategies which I will expand on further during my address and the ability to evaluate strategic expansion opportunities.

Within Australia, domestic revenue recorded an overall increase of 15% in 2014 through the continued success of the A560 range of gaming machines, the release of new game combinations and consistently high product performance. The successful introduction and performance of the Company's range of products within the key markets of New South Wales, Queensland and Victoria provided the opportunity to gain market share from previously entrenched and more established gaming suppliers.

In FY14 the Victorian market represented 22% of domestic revenue and was the culmination of growth achieved of approximately 700% since 2011. Recent changes requiring all gaming machines to be compatible with pre-commitment standards and the introduction of increased gaming taxes, mean the previous growth experienced has now slowed whilst the reforms introduced take effect. All gaming markets undergo changes which create an element of uncertainty, however I am convinced that these are temporary and more traditional replacement cycles will return over time once operators realise the need to refresh their gaming floors with the latest technology and products available.

Within Australia average selling prices remain strong with unit volumes increasing by 14% through growth in all core domestic markets. The release of branded products including Players Paradise Link Jackpot, Quad Shot game range and A560 Wide Boy Reel of Wheels assisted in building on previous market share.

Internationally, the key market of the Americas increased revenue by 44%, in FY14 with Latin America contributing 32% of total international revenue.

In the Americas segment revenue was \$90 million, an increase of 44% on 2013 with unit volumes increasing 26% to 3,974 units in the period.

Machines under gaming operation increased 72% with 1,989 units now placed at balance date. I will now address the two regions of north and Latin America separately.

The US has presented our biggest opportunity. It's the most attractive market we are invested in. North America increased revenue by 36% on a unit volume of 2,381. The second half volume was 1,577 units, an increase of 96% on the 804 achieved for half one. As we outlined, access to new markets in Delaware and Montana, and a refocused approach within Oklahoma, contributed to the volume increase, as did expanded sales volume from distributors.

An 84% increase in machines under gaming operations resulted in an installed base of 1,105 units at period end. Release of premium products including: the Magnificent 7, Vegas King and Cash Challenge together with the previously released Reels of Wheels, now available in three different versions, continue to achieve high performance across venues where these products are installed. Importantly, there remain several key jurisdictions in North America where the rollout of some or all of these has just begun or is about to begin.

The recent release and sale of the new A560SL product in March 2014 with game brands such as Sweet Zone and Whopper Reels continue to provide high performance where installed. In fact, results from the A560SL product indicate solid performance above house average, with the Sweet Zone game, Rumble Rumble, performing at greater than 2x house average, with no signs of slowing down. A newer title, Flying Horse is also performing at these elite levels as are several others. This type of performance has already led to repurchases of additional units from customers who have begun to view the A560SL and related product lines as "must have" items for their casino floor mixes, in ever increasing quantities.

With its' dynamic 32 inch vertical display, compelling game catalogue, outstanding graphics and exceptional sound package, the A560SL will increasingly become a growing proportion of casino floors in North America for years to come.

The Group has been able to maintain its average selling price in a highly competitive market even as it continues to focus on larger volume sales. The performance yield on machines under gaming operations fell to US\$35 per day from US\$39 per day primarily due to new and expanding markets with lower participation percentages of 85/15 compared to 80/20. This fall is also owing to the fact that 46% of installed units are in the highly competitive Nevada market, and also reflects discounts offered to corporate customers; conversion to sale for higher performing game titles where agreements allowed; and the need for a larger library of titles for the premium space. The mix in cabinet variants was also a factor, whereby the A560SL was initially installed in March and represented only 9% of product under gaming operation.

Further products released at the G2E Gaming Exhibition in October and the gaining of access to new markets including Canadian provinces, Missouri, Mississippi and Arizona as well as additional Native American jurisdictions is expected to assist in revenue growth in this region in the coming year.

The establishment of additional dedicated sales and service representation in these new jurisdictions is expected to provide further opportunities to progress the Group's footprint of products across North America. Importantly, a core focus of this new sales and service representation is our emerging capability to offer enterprise-wide solutions for our corporate customers in North America across several jurisdictions at once. These corporate customers often purchase larger numbers of devices in bulk to address their needs of multiple properties. With new found access to many of the markets that are key to the corporate customers, it brings our fulfilment capabilities to an entirely new level with these larger customers. Leading these efforts going forward is an individual with deep experience and contacts with all of gaming's corporate customers.

In Latin America the group continued to achieve growth in revenue and volumes recording increases of 63% and 42% respectively. Segment profit increased 139% as contributions from machines under recurring revenue models continued to be reflected within this region.

As at the reporting date a total of 884 units were under these participation arrangements, an increase of 60%. Continued high performance of game brands such as Multi Win and Rio Grand Rapids have assisted in expanding our footprint into major casinos and establishing solid relationships which will provide continuing opportunities for the coming year.

The performance yields for products under gaming operation declined in the period as older products were progressively replaced with cabinets and game titles on the A560 cabinet family.

Within the rest of the world segment, representing New Zealand, Asia and Europe, we delivered revenue of \$10.4 million (down 6% on the prior corresponding period) and a segment result of \$6.1 million (down 2%). It should be noted that certain deliveries to the Philippines were not recognised at year end date due to cut-off procedures for this region and were recognised in half one of FY15.

The New Zealand market increased revenue by 48% on the previous year, as a direct result of further penetration and interest by the major trust groups within the hotel and club segment.



The Asian market presented challenges following the introduction of new gaming standards, including dual language requirements within Macau, which required additional development of operating base software and related games. It is expected that revenue increases within Asia will be steadily released in future periods.

On the regulatory front the Group continues to progressively pursue additional gaming licenses to expand its footprint across global markets. During the year 31 additional licenses were obtained including 3 US States, 26 Tribal, 1 Canadian Province and an eGambling license from the Alderney Gambling Commission for the progression of on-line activities.

The Group has submitted a further 4 license applications in the jurisdictions of Delaware, Louisiana, Massachusetts and New Mexico. Currently the Group has a total of 163 unique gaming licenses across the world.

Over the preceding periods we have heavily invested in product, technology and people to ensure infrastructure was in place to maintain previous growth achieved in all domestic markets and support the international growth we are now experiencing. This has positioned the group to capitalize on the significant opportunities available to increase market share and gain a greater percentage of available floor space in venues across all markets.

The Group continues to invest in new technology to showcase the evolving and innovative range of game brands developed. Our commitment to our customers through continued technology advancement ensures our quality products entertain different generation's right across the globe.

The product pipeline was evident at the recently held Australasian Gaming Exhibition where the new A560X gaming platform was displayed together with the A560SL cabinet variant. In addition the Magnificent 7 and Cash Challenge products in the Wide Boy cabinet are expected to be launched in domestic markets in the first half of the current year.

As noted, performance results in the Americas of the A560SL product have been quite strong with exceptional titles like Rumble Rumble and others. This style of game was displayed at the G2E trade show in Las Vegas along with over 40 new game titles across the A560 cabinet family. In addition a further two licensed themed products were displayed for placement under recurring revenue – namely Sound of Music and Showgirls, as well as updates to Reels of Wheels and the Magnificent 7.

As outlined G2E marked the ground-breaking for our new facility in Las Vegas. In addition to Mr. Ainsworth, myself, and other senior executives, this event was attended by the governor of Nevada Brian Sandoval, as well as other leading government figures and notable dignitaries, each of whom provided remarks for this momentous occasion. When finished in 2016, this facility will be comprised of nearly 300,000 Sq. Ft. It will be the operational and manufacturing headquarters for Ainsworth in all of the Americas.

Looking at online opportunities, significant progress has been made during 2014 in bringing together a comprehensive digital product offering in the real money and social casino online markets. In June of this year the Company was awarded a license in Alderney, which followed the decision to utilise Comtrade to supply remote gaming server technology. This will enable the establishment of a major presence together with brand recognition in the regulated markets of the UK and Europe.

We are pleased to have partnered with Playtech Limited, an international designer, developer and licensor of software and services for the online, mobile, TV and land-based gaming industry through an online content licensing agreement. AGT will feature its most popular game titles across all Playtech platforms in regulated UK and European online sites for desktop, mobile and tablet devices allowing the establishment of business to business (B2B) offerings. I'm pleased to report systems integration is now well underway to incorporate the Ainsworth Gameconnect™ RGS, with the expected release on track for the first 10 games in the second half of 2015.

To complement the move into real money online gaming the Company could not ignore the fast growing social gaming market estimated to reach USD5 billion by 2018. As the Chairman previously announced a joint venture has been entered into with 616 Digital LLC, a mobile social gaming operator, integrator and game developer. This partnership has enabled the fast tracking of the Company's ability to enter this market with the launch of the Players Paradise casino scheduled for January 2015. Whilst our timing to enter this market is behind our major competitors it has provided the Company with the ability to develop a quality mobile offering complete with improved mobile technologies which now account for over 50% of revenues in this online segment. It is the Company's intention to launch a second social casino during 2015 which will provide unique mobile and tablet game offerings.

We have continued to promote a culture of training within the Company by investing in the development of our people, with our training policies and HR strategies ensuring the longevity and success of the business.

The gaming industry is both highly regulated and increasingly competitive with significant investment required to not only maintain established positioning but to gain increased market share. The machine numbers in the Australian market are capped and over recent periods we have seen an element of softening with reduced levels of new placements from prior periods and at present the capped numbers are not being achieved. As the Chairman outlined recovery to more traditional replacement levels is in our view likely as venues maintain their share of consumer discretionary spending available. Continued development of new and exciting products which are both appealing and entertaining is the primary driving force to ensure our equipment can provide the necessary value proposition to all our customers.

Based on current expectations the company expects to achieve further overall revenue gains in the 2015 financial year, however domestic and international revenues, primarily from the key international market of North America, will be more heavily weighted to the second half of FY15. This is mainly due to U.S. customer buying patterns, which continue to be more heavily weighted to the beginning two quarters of the calendar year, when capital tends to be more available and capable of being allocated to equipment purchases.

It is highlighted that given the previous success achieved in all domestic markets, the staggered nature of new product approvals within New South Wales and Queensland and the unsustainable growth previously enjoyed in Victoria, domestic revenue for the first half of FY15 is expected to be similar to the second half of FY14 and down approximately 30% compared to the previous corresponding period in 2014. This revenue decline is largely due to timing as we progress product approvals and is expected to be largely regained in the second half of FY15 resulting in similar levels being achieved compared to the previous 2014 year.

International revenue is expected to provide increased contributions in half one of FY15 with increases across both the North and Latin American segments compared to the previous corresponding period. The revenue opportunities from new markets in North America, following receipt of recent gaming licenses and completion of technical approvals, are expected to assist second half revenue in North America to continue its growth momentum. Further gains in the number of units under recurring revenue arrangements are expected over FY15 with their associated yields to be consistent with those previously reported at 30 June 2014.

Given the expected lower domestic revenue in half one of FY15, the Company advises that it expects to report a lower profit in half one compared to the corresponding period however in line with the second half of FY14. The increase in international revenues in half one of FY15 which are traditionally greater within the second half of the financial year and the investment to ensure the

necessary infrastructure is in place to support future growth plans are the primary reasons for a lower expected profit. It is expected that given the weighting more aligned to the second half overall profitability for FY15 should be ahead of the previous 2014 year.

We continue to evolve our diverse range of product offerings and development of new, innovative and entertaining products to maintain our strong domestic position achieved over previous years, whilst growing our access and market share within all international markets. Our strong financial position has allowed us to continue to evaluate strategic opportunities within both the online and traditional land based gaming markets.

I am particularly proud of the way the Company has undergone its expansion over recent years and I am confident that with our continued focus on developing innovative products that entertain generations of game players, Ainsworth's impact on the global gaming market will continue.

In conclusion, I would like to thank the Board and specifically the Executive Chairman, for their support and guidance, along with the senior leadership team and all our talented and dedicated employees who have contributed to the success and financial results now being achieved on behalf of our shareholders.

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