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Ainsworth Game Technology Limited
Half Year Results to 31 December 2015 and Dividend Announcement

Ainsworth Game Technology Limited (AGT) today announced a profit after tax of \$33.1 million (m) for the six months ended 31 December 2015. The net profit result included foreign currency gains of \$6.9m after tax (31/12/2014: \$10.0m) due to further strengthening of the US dollar against the Australian dollar during the reporting period. Although this result was a fall of 4% on the previous corresponding period (PCP) the more significant measure for the underlying business, net profit after tax excluding currency gains, was \$26.3m, an increase of 7%.

Executive Chairman, Mr LH Ainsworth said, "The results for 1HFY16 reflect the continued execution of our strategies. A more diversified Ainsworth is developing with an improving quality of recurring earnings and strong growth, profitability and increasing strategic value in international markets. While domestic markets are challenging and competitive, we have a confident international outlook. The new US facility will increase our profile and presence in the Americas, our new gaming products plan is well underway and Nova, which provides us with an immediate entry into the complementary Class II market and a platform for substantial growth, is delivering on our expectations."

The financial results for the period ended 31 December 2015 are summarised as follows:

<i>Amounts expressed in A\$ millions</i> <i>(unless otherwise stated)</i>	6 months to 31/12/15	6 months to 31/12/14	Movement % ▼ ▲
Revenue	141.9	111.9	▲ 26.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	53.8	50.3	▲ 6.9%
Earnings before interest and tax (EBIT)	43.8	44.0	▼ (0.5%)
Profit before tax	44.8	45.5	▼ (1.5%)
Profit after tax	33.1	34.6	▼ (4.3%)
Earnings per share (basic) – AUD	\$0.10	\$0.11	▼ (9.1%)
Dividends per share (franked) - AUD			
- Interim	\$0.05	\$0.05	- -

Ainsworth delivered strong sales revenue growth for the half highlighting the momentum in our international businesses. Total sales revenue was \$141.9m for 1HFY16, a 27% increase on the prior corresponding period.

International revenues continued to grow well to \$91.6m, a 57% increase on the PCP. Offshore sales now represent 65% of total revenues. This is a significant step in AGT's strategy to build a larger, more profitable business in the key Americas markets.

The Americas recorded an increase in sales of 52% to \$80m. Within this, North American revenues increased by 42%. These are good results and show we are gaining share.

Encouragingly, AGT sold 20% more units in North America versus the PCP. There was a broad contribution across existing states and from new jurisdictions. Pennsylvania, Wisconsin and Oregon contributed strongly and there was continued solid growth in California.

In line with our strategy, the number of machines on participation in North America (excluding Nova) also increased, up 18% to 1,445. Customers paid an average daily fee of USD\$30. These recurring revenues underpin our performance there.

This increase in sales in North America drove a similar increase in profitability. Profits increased by 40% to \$18m. This is a pleasing result given we effectively started our North American growth strategy around five years ago. North America now accounts for 30% of the group's total profits.

Our priorities in the US are to open the new facility in Las Vegas in April to build our presence and profile over there, successfully launch the A600™ with a suite of successful and new game concepts, grow our participation base to expand our recurring earnings in both Class III and II and continue to win share to deliver sustainable growth and profitability. With our disciplined focus on execution we are on track to deliver these goals.

Our Latin American business also reported impressive results. Sales increased by 64% versus PCP. Sales of unit volumes rose by 29% to 1,398 and average selling prices increased by 2%. We saw an increased contribution from Mexico, our largest market in the region as well as Peru and Argentina.

Importantly the recurring revenue base continued to increase with a 71% rise in the installed base to 1,823. Mexico, Peru and the Caribbean contributed to this growth.

Profitability in Latin America more than doubled versus PCP, rising by 115% to \$16.8m. We see scope for further profitable growth in the region and our focus is on expanding our footprint. We note that payment terms with customers are often on a more extended basis and this does tie up more working capital on our balance sheet.

Our business in the Rest of the World is also growing strongly. It now makes up over 10% of group profits and sales are up by 108% and profits increased by 91% to \$6.3m. We sold 462 units, an increase of 74%. Of note, revenues in New Zealand increased to \$7.5m, up 311% notwithstanding customers are taking a more cautious approach to spending and the number of venues is declining. Over time this is expected to adversely impact the number of EGM's in that market.

The market in Asia remains subdued. A number of new properties are due to come on stream in Macau, the Philippines and in time, Korea, which could provide additional opportunities.

The domestic market is challenging and highly competitive. Our Australian business reported a 6% fall in revenues and a 33% reduction in profitability. We saw reduced activity with corporate accounts compared to the PCP although we maintained our footprint in the important clubs market.

As we have outlined previously, we are in a product transition across the Eastern seaboard as we move from the A560X™ to the A600™. New machine cabinets take time to gain support and build share, typically several years. We are seeing that pattern repeat. The A600™ is also costly to manufacture given some of the advanced componentry is priced in USD and initial production runs are small. We expected that and planned for it. Gross margins for the Australian segment are expected to be similar in 2HFY16 as those reported for 1HFY16.

Our unit volumes in 1HFY16 fell by 8% to 1,915. Despite the vendor market being competitive and concentrated, positively, our Average Selling Prices increased by 5%. Our machines are advanced and perform well and we maintain pricing discipline.

Our priorities in the domestic market are to further promote and support the A600™. Single and multi game multi denomination packages have been released for the new machine cabinet in this half. To ensure an on-going pipeline of successful new games and a fresh approach to innovation we restructured our game development teams through internal promotions and utilisation of third party contractors with a proven history of success to provide a contemporary input to the design process. Since November, the Australian game development team now operates in a flatter organisational structure which should promote greater creativity and translate into product performance.

While it is very early days for this new approach, the initial signs are encouraging and we expect to see more progress in the near future. In addition to the Australian game development group, the USA, including the recently acquired Nova group, has expanded its resources and capabilities to ensure an increasing level of games able to be utilised across all global markets.

At Ainsworth we understand that for our customers, game performance is critical and this continues to be the focus of our research and development. Our game strategy is to concentrate on mid denomination and legacy product based on existing proven maths models. We will complement this by expanding our gaming offering with revolutionary concepts that will add new dimensions to our range. We continue to invest in R&D with costs in the first half equating to 10% of revenues.

We continue to build a platform for growth in our “on-line” and social businesses. We have made careful and disciplined investments and, notwithstanding competition in the market, we look forward to seeing these businesses progress over time.

In Real Money gaming the Game Connect RGS and ten HTML5 games have been approved in the UK and Alderney with platform providers Microgaming and NYX. Ainsworth games are now available on 35 Online Casino Operators. Game Connect RGS will be progressively integrated with additional new platform providers in coming periods.

In social gaming Ainsworth’s *Players Paradise Slots*™ has been live for twelve months with a stable 50k daily average users. Our new social casino app, *King Spin Slots*™ was also successfully launched last November. Our games continue to be licensed to third party social casino partners to provide further revenue streams.

These strategic investments in real money and social platform technology are expected to provide further opportunities to promote Ainsworth’s recognised brands to a greater number of users through social and mobile channels. We will continue to build these businesses in a careful, disciplined and strategic way.

Following the end of the half, on January 15th, we completed the acquisition of Nova Technologies LLC for a purchase price of USD\$38m. Nova has a certified Class II Bingo server, a library of games and licenses and over 1,425 machines on participation, doubling the size of our fleet in North America.

Importantly, Nova provides us with an immediate entry in to the complementary US Class II gaming market. It expands the product that we can offer to customers in existing markets and provides a platform for substantial growth both in the US and in other countries such as Mexico.

We have been carefully reviewing acquisition opportunities in this sector for some time and we are delighted to have acquired Nova. We are executing a detailed integration plan and early results are in line with expectations.

Chief Executive Officer, Mr Danny Gladstone said, “I am pleased with our international results. The evolution of Ainsworth into large offshore markets is continuing in line with our strategy. We are becoming a stronger and more diversified gaming and technology group with higher quality earnings, backed by a strong balance sheet. International now accounts for 65% of the Group’s total revenues. The America’s alone contribute 58% of group profits. We expect ongoing profitable growth in both North and Latin America in H2FY16.”

Mr Gladstone added, “Ainsworth is building momentum in the Americas with strong contributions from established and new jurisdictions. The opening of our new facility in April 2016 in Las Vegas will underpin our presence and drive further performance. In addition, Nova will make a strategic and profitable contribution to our Americas business and provides a platform for substantial growth.”

Mr Gladstone said, “The first half of 2016 presented significant challenges within the competitive domestic market. As we have seen previously it will take time for the A600™ to gain market acceptance. With our new game library and ongoing commitment to R&D we have a confident medium term outlook. We expect gross margins in our domestic operations to continue in 2HFY16 at similar levels to those reported for 1HFY16.”

For the full year FY16, we expect net profit after tax, excluding currency gains, to be similar to the \$52.5m reported in FY15.

Based on the results, the Board has declared an interim dividend of \$0.05 per ordinary share. The dividend is fully franked with Nil Conduit Foreign Income (CFI) and is expected to be paid on 2 May 2016.

The dividend results in a full year payout ratio of 49% of profit after tax, within the previously stated payout range of 40-60%. A Dividend Reinvestment Plan (DRP) is being activated and available on the Company’s website: [AGI-Dividend-Reinvestment-Plan](#) Shareholders will be offered the opportunity to take their dividend in new shares.

The key dates for the declared dividend and DRP are as follows:

Shares trade ex-dividend	Friday 26 February 2016
Record date	Tuesday 01 March 2016
Entitlement Date	Thursday 24 March 2016
Payment date	Monday 02 May 2016

Ends

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