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ASX Market Announcements Office
Exchange Centre
20 Bridge Street
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ELECTRONIC LODGEMENT

Six Months Ended 31 December 2022 Results Teleconference Script

We attach a copy of the Six Months Ended 31 December 2022 Results Teleconference Script in respect to Ainsworth Game Technology's audited results.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Ludski', written over a light grey rectangular background.

This announcement is authorised for release by;
Mark Ludski
Company Secretary



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**Ainsworth Game Technology
Six Month Ended 31 December 2022
Half Year Results Teleconference Script**

Harald Neumann, CEO

Thank you, operator.

Good morning, everyone and thank you for joining me for the Ainsworth results conference call for our results for the six months ended 31 December 2022.

Lynn Mah, our CFO and Mark Ludski the Company Secretary are also on the line today. Lynn formally was appointed to the role of CFO, effective 1 January 2023. Lynn is not new to Ainsworth and has been with the Company for approximately 15 years within the Finance division. Welcome Lynn.

On this call today I will concentrate my remarks on the key points and the regional review and Lynn will take you through the financials. At the end of the presentation, we would be pleased to answer any questions.

I would like to note that, as we have announced the Company will be changing its reporting to a calendar year basis effective 1 January 2023. This change has required reporting audited results for the current six-month period before affecting the change.

All the numbers Lynn and I quote throughout the call are denominated in Australian dollars unless otherwise specified.

Page 5: Results Summary

Let's make a start on page 5 with some highlights of the results.

Firstly, I am pleased to report that Ainsworth has maintained and delivered another solid result with revenue growth being achieved compared to both the PCP and the second half of FY22.

Profit Before Tax, excluding currency impacts and one-off items, was \$18.8 million in the current period. This result is ahead of the \$18.0 million earnings expectation that was outlined at the 2022 Annual General Meeting in November. It is a further improvement on the profit reported in the PCP of \$10.0 million and in line with the second half of FY22.



The Profit After Tax reported of \$5.9 million includes a currency loss of \$1.3 million and one-off items of \$8.3 million relating to an additional provision for Mexican duties and non-cash impairment charges.

The underlying audited Profit After Tax (excluding currency and one-off items) for the current period was \$15.5 million which positively compares to the \$6.1 million reported in the PCP.

Ainsworth's cash flow and balance sheet are key priorities of the Company. Cash flow from operations was a deficit in the period of \$8.0 million, compared to the surplus of \$31.0 in the PCP. Net cash at the reporting date was \$36.5 million compared to \$32.2 million at the same period in 2021. AGT continues to invest in product development through people and technology whilst supporting required levels of working capital to satisfy customer demand. Given the global economic conditions for componentry and to ensure no supply chain disruptions are encountered to projected customer demand, inventory increased significantly to \$90 million, an increase of 32% from 30 June 2022. I would note that we have continued to actively pursue strategies to diversify our supply chains to ensure we can continue to source critical components for machine assembly and ensure no disruption.

The Board has decided not to declare a dividend given the Company's priority to maintain a strong financial position at the present time. Given the currently planned investment in R&D being undertaken, the uncertainties in global supply chain shortages and continuing inflationary cost pressures, dividends continue to be suspended to ensure strong liquidity. The Board confirmed its commitment to re-commence paying dividends under its dividend policy when considered appropriate.

Page 8 Profit and Loss Summary

Let me turn to the results on page 8. It is encouraging to see the momentum that started last year has continued into the second half of calendar year 2022.

Revenue increased to \$124.1 million, up 23% on the \$100.7 million in the PCP. Revenue increases were achieved across the key regions in Australia and the Americas. Reflecting the improvement in trading conditions offshore, international revenue increased by 20% compared to the PCP and represents 81% of the Group's total revenue.

The gross margin improved in the period to 67%, an increase on the 63% reported in both the PCP and second half of FY22. Strong Average Selling Prices and increased revenue from units under gaming operation contributed to the improved margin in the current period.

Page 10 Reconciliation of Profit and Loss Summary

As outlined on page 10 underlying EBITDA was \$26.4 million, compared to \$20.7 million in the PCP.

Currency losses in the current period were \$2.1 million compared to a gain of \$3.5 million in the PCP. One off items outside normal operations were a loss of \$9.4 million resulting from non-cash impairment charges of \$3.9 million relating to Latin America and Australia and an additional provision of \$5.5 million for the potential unpaid Mexican duties and other charges.



As in previous periods, these impairment charges to the carrying value of assets are reflective of a re-assessment of discount rates, inflationary cost pressures and uncertainties inherent in validating expected revenue improvements in future periods within these regions. These factors contributed to a reduction in the available headroom due to a lower recoverable amount for these Cash Generating Units (CGUs). The impairment charge within Latin America results from the timing nature of the current business model within this region where gaming machines are initially placed under operation which results in assets requiring assessment for impairment purposes despite the generation of increased participation revenue prior to the potential conversion to sale.

Further to the provision established at 30 June 2022 a re-assessment on the Mexican Tax Administration Service (SAT) audit and review was required at the reporting date. This resulted in an additional amount of \$5.5 million being recorded in the current period under the requirements of the applicable Accounting Standards. The Company maintains and is defending its position that both software (including game) and hardware should be considered as a whole for the calculation of regional value content and USA origin under the North American Free Trade Agreement (NAFTA).

Page 18 North America.

I'll now go through the regional review starting on page 18 with North America.

North America continued to perform strongly in the current period with revenue of \$59.7 million, an increase of 9% on the PCP, representing 59% of total international revenue. High denomination games continue to be a strength of AGT in the United States with development initiatives initiated to provide greater market share within the low and mid denomination product groupings. Following the success of MTD games in South Dakota, the launch of the games in Louisiana have seen similar success with 400 units sold in Louisiana and South Dakota in the current period, compared to 100 units in South Dakota in PCP. Further opportunities in Montana are expected in late 2023 following the expiry of an exclusive distribution agreement within the state.

Machines under operation in North America at the reporting date were 2,827, an increase of 10% on FY22 primarily through expansion within New Hampshire and Texas where new placement opportunities occurred in the current period. Machines placed under participation and lease (including connection fees), which generate recurring revenue, contributed 59% of segment revenues. Historical Horse Racing ("HHR") products continue to perform with 5,510 units connected to AGT's HHR system at 31 December 2022 and anticipate further growth as new installations occur in Kentucky and Alabama during calendar year 2023. Strong average selling prices and increased recurring revenues, along with disciplined cost controls resulted in a rise in segment profit to \$30.9 million versus \$23.1 million in the PCP, up 34%.

Page 20: Latin America

Encouragingly, positive progress and signs of recovery continued in several countries in the Latin American region, with further momentum and an improved performance overall. With venue re-openings in Mexico and positive contributions from Peru and Argentina, revenue of \$33.1 million was achieved, an increase of 49% on the \$22.2 million in the PCP.



Unit sales were 908 in the current period, with reconditioned units representing 20% compared to 39% in the PCP and 33% in the second half of FY22. This contributed to the strong ASP and gross margins in the current period.

As was previously foreshadowed, Mexico, traditionally Ainsworth's largest contributor to the region contributed to 26% of unit sales compared to 10% in the PCP. It is expected that this market will provide an increasing level of revenue opportunities in coming periods.

At the reporting date 3,690 units were under operation generating \$10.6 million in recurring revenue. This represented 32% of total revenue for this region and increased 41% on the PCP and 14% on the second half of FY22 as active units are now fully operational. The yield achieved on these units improved slightly to USD12 per day which assisted to offset the net overall reduction in units under operation as regulatory changes in Mexico were introduced.

The segment profit was \$10.4 million comparable to the proceeding two half year periods.

Page 21: Australia

Our domestic performance on page 21 displayed positive momentum. We sold 792 machines in the current period which was an increase of 34% on the 591 units in the pandemic impacted PCP. This result was primarily achieved from the key market in New South Wales which contributed to 54% of the regions revenue in the current period compared to 39% in the PCP. The successful performance of the recently released title Treasure Spirits was a pleasing result.

I would note that despite a strong ASP being maintained, competitive market conditions continue with overall gross and segment profits being impacted by inflationary pressures and the weakening of the Australian dollar against the US dollar which adversely impacted costs of production in the period.

Page 22 Rest of World

Within the Rest of the World segment, growth in online revenue supported an improved result in the current period. Segment profit rose by 43% to \$5.7 million compared to PCP. Online revenue was \$6.4 million and contributed 79% of the segment's total revenue. These revenues have grown from \$3.7 million in the PCP.

The partnership with GAN Limited via their extensive casino operator channels and the partnering with online casino aggregators Pariplay and Bet Construct throughout Latin America continues to progress as planned. We now have over 120 games approved on our Remote Gaming Servers.

I will now ask Lynn to outline the financials.

LYNN MAH, CFO

Thank you, Harald,



Slide 15: Balance sheet

As Harald has pointed out, it has been a key priority to ensure we maintain a strong balance sheet to protect the Company through these volatile times and allow liquidity to pursue planned development initiatives.

On page 15, you'll see we closed the current period with a net cash position of \$36.5 million with undrawn facilities in place for US\$32 million. The deterioration in the cash flow during the current period was a result of investment in working capital to mitigate risks in fulfilling expected customer product requirements.

The receivables closing balance of \$115.5 million a slight increase of 2.5% on the \$112.7 million at 30 June 2022 despite good cash collections in the current period. Inventory closed at \$90.1 million, an increase on the \$68.3 million at 30 June 2022 as Harald noted, to ensure no supply chain disruptions impacted customer demand in the first half of calendar year 2023.

The company has \$320 million of net assets with no facility drawdown following repayment of borrowings within FY22.

Slide 16 Cash Flow

Turning to slide 16, Operating cash flow decreased to negative \$8 million from positive \$31 million in the PCP due to increased working capital investment to mitigate global supply chain shortages and overall rising costs due to inflation. Despite these challenges the Group maintained a strong cash balance of \$37.1 million at reporting date compared to \$46.3 million in the PCP.

Operating costs during the current period rose by 18% compared to PCP. The increase was attributable to an increase in salaries and wages, increase in overheads resulting from operations resuming to pre-pandemic levels and inflationary cost pressures. Reduction in depreciation costs on assets that were previously impaired for the Latin America and Rest of the World CGUs offset a portion of the increase in operating costs.

With our cash strong capital base, we are well financed to go forward and execute on strategies established.

Thank you and I will now hand you back to Harald for some concluding remarks.

Harald Neumann, CEO

Slide 33 – Conclusions and Summary

AGT enters the calendar year 2023 with good momentum and expects to sustain profitability.



Trading conditions in both domestic and international markets have shown their resilience despite economic challenges in global markets. 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. Domestic markets are expected to benefit from new product releases and improved game performance in 2023.

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

As I said at the beginning, our results are much improved on the PCP driven by recovery in many of our major international markets.

We can also look forward to further recovery especially in Australia and Latin America, where we will continue to leverage our key strengths of AGT's trusted brand, our highly capable staff, the company's enduring commitment to developing superior game technologies and our customer relationships across our major markets, particularly in North America.

As I have previously commented for us to ensure continued growth and to sustain our performance, we needed to improve the outputs of our R&D investments. We need to lift the competitiveness of our product. We need to offer more value to customers.

An established product road map and strategies to upgrade game performance is now in place to achieve sustainable long-term results across global markets. The ability to quickly deliver new products to market that can provide better results for our customers is critical to our long-term success.

We have expanded our capabilities and talent within R&D in both the Sydney and Las Vegas studios. In addition, two new R&D studios were established and are now operating in North America. These new studios are led by industry veterans with significant experience and will provide more creativity and diversity to our current product offerings.

Quality initiatives are underway and have already started to improve game designs, mathematics, and graphical arts to create a more diverse and targeted range of product offerings to our customers. I look forward to updating you on these improvements as we progress.

Before I close, I would like to finish by thanking all my colleagues at Ainsworth for their contributions to these results and their dedication to our customers. I am incredibly proud of the way the team at AGT has performed through these volatile times and I want to formally thank them all.



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

Thank you operator

Ends

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