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ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

ELECTRONIC LODGEMENT

Half Year - Six Months Ended 30 June 2024 (H1CY24) Results Teleconference Script

We attach a copy of the Results Teleconference Script in respect to Ainsworth Game Technology's (H1CY24) results.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'Mark Ludski'.

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



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**Ainsworth Game Technology Limited
Half Year Results – six months ended 30 June 2024 (H1CY24)
Teleconference Call**

Harald Neumann, Chief Executive Officer (CEO)

Thank you, operator.

Good morning, everyone and thank you for joining us this morning for the Ainsworth conference call to outline our financial results for the six-month period ended 30 June 2024.

Lynn Mah, our Chief Financial Officer will also be on the line today. All the numbers Lynn and I quote throughout the call are denominated in Australian dollars unless otherwise specified.

I will concentrate 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.

Page 5: Results Summary

Let's make a start on page 5 with the results summary.

The overall reported results show a Profit before Tax (PBT) of \$15.7 million which includes currency translation gains and a minor one-off item amounting to a net gain of \$1.4 million. PBT, excluding currency impacts and one-off items, was \$14.3 million in the current period. The result was within the upper range of guidance provided in May 2024, which indicated an expected result within \$13 million - \$15 million.

Revenue in the current period was \$121.4 million, a reduction of 15% on PCP. North America contributed 56% of total revenue in the period, an increase on the 48% in the PCP. As highlighted by the Company in our trading update and guidance, the Latin America/Europe segment resulted in the majority (73%) of the revenue shortfall experienced in the current period. This revenue shortfall was a result of significant revenue contributions in CY23 within Argentina relating to the securing of import licenses and resultant sales which were not repeated, as well as import restrictions within Mexico limiting sales in the current period.

Underlying EBITDA for the period was \$26.8 million, a decline on the \$29.4 million reported in the PCP, primarily as a result of the reduced revenue within Latin America in the period.

Lynn will provide more details on these in her financial review.



Page 8 Profit and Loss Summary

Let me turn to the results on page 8.

International revenues were \$104.7 million reflecting a reduction of 17% versus the PCP and represented 86% of the Group's total revenue. Recurring revenues (including Historical Horse Racing (HHR) connection fees), continued to be a strong feature of AGT's business model increasing to \$48.9 million in H1CY24, an increase of 3% on the \$47.5 million in the PCP. Total machines under operation at 30 June 2024 were 6,790, an increase on the 6,623 units at 30 June 2023, however a reduction on the 7,222 units noted at 31 December 2023.

The gross margin achieved in the period was 67%, an improvement from the 60% in the PCP. The strong average selling prices in North America and an increased proportion of high margin recurring revenue compared to the PCP resulted in improved margins in the current period.

Page 10 Reconciliation of PBT to EBITDA

As outlined on page 10 underlying EBITDA was \$26.8 million, compared to \$29.4 million in the PCP.

Translational foreign currency gains in the current period were \$2.0 million compared to losses of \$4.4 million in the PCP. Other one-off items outside normal operations included restructuring costs of \$0.6 million, resulting from rationalization, and a reduction in overall Group headcount primarily within APAC region.

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 \$67.9 million, consistent with the \$68.5 million in the PCP, representing 65% of total international revenue. High denomination games continue to exhibit strong performance in the United States with multiple games consistently included in Top 25 indexes reported by Eilers and ReelMetrics.

Development initiatives and the release of the A-Star Raptor™ cabinet continues to be well received by operators and after seven months was ranked 3rd in Eilers Top Indexing Portrait Upright Cabinet report. The success within the low and mid denomination product groupings are expected to provide market share gains with the San Fa™ range of titles being consistently reported in the Eilers Top 25 Indexing New Games throughout the current period. MTD games in South Dakota and Louisiana continued to positively contribute to the North American segment, with strong performance being maintained on Gambler's Gold™ in these markets. The next generation of this product and incorporation of the successful San Fa™ titles with additional Keno options are currently under development and are expected to provide further revenue opportunities.

Machines under operation in North America at the reporting date were 3,030, relatively consistent with both the PCP and Prior half (H2CY23). Additional new placement opportunities within Kansas and Texas are expected following the introduction of legislation, as well as



expansions in Alabama, New Hampshire, Wyoming and Kentucky. Machines placed under participation and lease (including connection fees), which generate recurring revenue, contributed 54% of segment revenues. HHR products continue to perform and generate recurring revenues with 8,543 units connected to AGT's HHR system at 30 June 2024. Strong Average Selling Prices (ASP's) and increased recurring revenues, along with disciplined cost controls resulted in a rise in segment profit to \$32.6 million versus \$29.5 million in the PCP, up 10%.

The Company advises that it has agreed to an extension of its exclusivity agreement for a further three-year term for VLT products within Montana. The exclusivity fee will be progressively recognised as revenue over the term. In addition to the exclusivity fee, the agreement provides for a commitment to purchase 75 Bear Elite cabinets in the second half of CY24, with on-going software purchases each year over the term.

Page 19: Latin America & Europe

Turning to page 19

Revenues of \$29.3 million were achieved in Latin America/Europe in CY24, a decrease of 36% compared to the PCP. This decrease was consistent with the Company's trading update indicating the benefits achieved in the PCP within Argentina to utilise import permits received prior to the introduction of changes in import regulations. In the current period minimal unit sales in the regions key market of Mexico were achieved and primarily represented convert to sale of units under gaming operations due to on-going changes in new import regulations.

These initial restrictions have resulted in the establishment of importation protocols, and it is expected approvals should be progressively received over the second half which should result in increased revenue for this region. Demand continues to grow for the A-STAR™ range of cabinets with Xtension Link™ and Multi-Win™ being consistently within the top performing products in the region.

Segment profit was \$13.7 million and despite a reduced ASP in the current period due to previous Argentina sales, was consistent at 47% as a percentage of sales, compared to 49% in the PCP.

At 30 June 2024, a total of 3,760 units were under operation, generating \$12.2 million in recurring revenue, an increase of 8% on the PCP. This increase in recurring revenue was achieved despite the reduction in units under operation at 30 June 2024 from those reported at 31 December 2023. This reduction was primarily due to the removal of older products and the introduction of regulatory changes in Mexico. The average yield was maintained at US\$12 per day with strong demand expected in the second half of CY24 assisted by the planned release of the A-Star Raptor™ cabinet. Initial installations of products within Europe are delivering strong performance results and are expected to positively contribute to this region in coming periods



Page 20: Asia Pacific

Page 20 outlines the region of Asia Pacific. This region includes Australia, New Zealand, and Asia following previous changes in management responsibilities introduced.

AGT's Asia Pacific (Australia, New Zealand, and Asia) performance was impacted in the period as competitive market conditions continued. Revenue in the region was \$19.1 million, a reduction of 10% on the \$21.2 million in the PCP. The region achieved 553 new unit sales at an improved ASP of \$25.9 thousand despite these competitive market conditions.

Segment profit improved to \$1.6 million, compared to a loss of \$0.2 million in the PCP. This improvement was experienced due to higher gross margins and cost containment measures put in place throughout the current period. Positive momentum with the A-star 100™ cabinet and the new games Year of the Dragon™ and Fortune Bull Gold™ have assisted to maintain improved product performance.

Page 21 Online

On page 21 we outline the Digital segment which reported revenue of \$5.1 million, a reduction on the PCP, reflecting the previously advised Game Account Network (GAN) contract amendment.

These high margin online revenues resulted in a segment profit of \$4.7 million in the current period encompassing further investment in resources to ensure we can remain competitive.

The expansion of omnichannel strategies is an increasingly important factor in the distribution and sale of the Company's gaming products. This strategy integrates physical and digital gaming land-based gaming games within the Americas. In the current period we have progressed the release of our land-based games with casino operators throughout regulated online markets in the USA, Canada and Latin America.

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 4% compared to the PCP. On a constant currency basis operating costs were \$67.2 million, 2% higher compared to the PCP. Continued efforts to identify efficiencies and achieve cost reductions are in place across all the Group's operations.

Research & Development (R&D) expenses increased by 18% 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 21% in the current period, an



increase on the 15% in the PCP primarily due to lower revenue. It is expected that a consistent level of investment in R&D will be maintained in the second half which includes expansion of the recently created studio in Monterrey in Mexico and established development studios in Sydney, Las Vegas, Austin and Reno.

Slide 12: Staff Headcount

On page 12 AGT's global headcount was 525 employees at the reporting date with 59% domiciled within the Americas. This represented a reduction of 5.4% (30 employees) primarily within Australia compared to the PCP in 2023, however an increase in Research & Development (R&D) personnel in the Americas to more effectively align resources to revenue contributions.

Following the departure of the former CTO the organisational structure now has effectively aligned development activities to the geographical responsibilities for each region. This is already having the desired effects and ensuring sales can significantly influence the allocation and direction of relevant R&D resources. The new product leadership has ensured 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 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 net debt was \$11.1 million following the drawdown of US\$15.9 million from established facilities to settle payments to the Mexican Tax Administration Service (SAT) in the current period. The secured facility in place of US\$32 million has currently an undrawn and available amount of US\$16.1 million.

The receivable's closing balance decreased to \$110 million, a reduction of 7.6% compared to \$119 million at 31 December 2023, reflecting the lower sales and improved cash collections in the current period. Inventory increased to \$92.1 million at the reporting date, an increase on the \$72.6 million at the end of 2023 and this is expected to return to normal activity levels as forecasted sales are delivered within the second half of CY24.

Slide 15 Cash Flow

On page 15, net operating cash outflows in the period were \$28.4 million, compared to net cash inflows of \$12.1 million in the PCP. This was reflective of the lower sales revenue and as mentioned the settlement with SAT in the period. Measures are in place to ensure prudent working capital management, particularly the reduction in inventory holdings. We closed the current period with cash balances of \$13.0 million, compared to \$19.8 million at 31 December 2023.

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.

To conclude, AGT enters the second half of calendar year 2024 with a solid base and expects sustainable profitability.

As we secure the remaining approvals of the A-Star Raptor™ across additional jurisdictions and the progressive release of newly developed gaming titles we expect the second half to provide increased revenue opportunities. Despite the challenging market and economic conditions within Latin America we continue to explore opportunities in this region whilst we navigate the recent changes which have been introduced within these markets.

As I have consistently said, for us to ensure continued growth and to sustain our performance, measures were introduced, and signs are evident that they are having the desired effects. We are starting to see improvements in the outputs of our R&D investments, which are expected to lift the competitiveness of our product and provide growth opportunities.

We have expanded our capabilities and talent within R&D through the establishment of additional game studios. These additional R&D studios are now expected to provide more creativity and diversity in 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 product road map has been established and is expected to translate into improved and sustainable long-term results across global markets.

The investments made underpin our commitment to ensure upgrades in technology and hardware, whilst maintaining the momentum of improving game performance. Management continues to pursue and 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 finish by thanking all my colleagues at Ainsworth for their contributions to the progress made and their dedication to our customers. I am pleased to report that the strategies are well advanced to ensure AGT is recognised as a leading provider within the gaming industry sector and improve our financial performance over coming periods.

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

Thank you, operator.

Ends



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