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Ainsworth Game Technology Limited
Audited Results for the Six Months ended 31 December 2022 (current period)
Continued Momentum and Performance

AGT reported continued momentum and performance with Profit Before Tax, excluding currency impacts and one-off items, of \$18.8 million in the current period, an increase of 88% compared to the \$10.0 million reported in the six months ended 31 December 2021 (PCP).

Implemented strategies to improve product performance across global markets has delivered another solid performance in the current period with revenue increases compared to the PCP. Revenue increases were achieved across the key regions in Australia and the Americas due to improving product performance and market conditions during the current period.

Below is a summary of the key financials for the current period:

A\$m	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	Current period vs PCP	Current period vs Prior half
Revenue	124.1	100.7	119.5	23.4	4.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	14.9	24.6	12.5	(9.7)	2.4
Underlying EBITDA ⁽¹⁾	26.4	20.7	29.4	5.7	(3.0)
Profit before tax (PBT)	7.3	13.9	1.9	(6.6)	5.4
Underlying PBT ⁽¹⁾	18.8	10.0	18.8	8.8	0.0
Profit after tax (PAT)	5.9	9.1	2.7	(3.2)	3.2
Underlying PAT ⁽¹⁾	15.5	6.1	18.2	9.4	(2.7)
Total Assets	425.7	381.4	406.5	44.3	19.2
Net Assets	320.2	301.7	311.3	18.5	8.9

⁽¹⁾ Underlying EBITDA, PBT and PAT adjusted for currency impacts and significant one-off items outside ordinary business activities.

AGT's momentum benefited from solid growth in the current period as trading conditions continued to recover. Revenue increased to \$124.1 million, up 23% on the \$100.7 million in the PCP. Underlying EBITDA was \$26.4 million, compared to \$20.7 million in the PCP. Profit Before Tax, excluding currency effects and one-off items, was \$18.8 million, a positive change versus the PCP and ahead of the \$18.0 million guidance provided.



Reflecting the improved momentum in trading conditions offshore, international revenues increased by 20% versus the PCP, and now account for 81% of the Group's total revenue. Recurring revenues, another strong feature of AGT's business model increased to \$45.7 million in the period, an increase of 42% on the \$32.2 million in the PCP. Total machines under operation at 31 December 2022 were 6,517, an increase on the 6,389 at 30 June 2022, with North America increasing its installed base by 422 units (18%) assisting to offset a net reduction in Latin America resulting from regulatory changes.

North America revenue in the current period was \$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 that 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 with the anticipation of 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%.

Revenues in Latin America increased during the period by 49% compared to the PCP and 10% on the second half of FY22. This momentum was driven by continued demand in Argentina and a return in venue re-openings within Mexico and Peru. In the current period unit sales in Mexico represented 26% of total unit sales compared to 10% in the PCP. Demand continues to grow for the A-STAR™ range of cabinets and top performing game themes such as Pan Chang™, Rio Grande Los Toritos™, and Multi-Win™ games. Gross profit was consistent at 67%, with a segment profit of \$10.4 million in the period. On 31 December 2022, a total of 3,690 units were under operation, generating \$10.6 million in recurring revenue, an increase of 41% on the PCP. Despite a reduction in units under operation at the reporting date, primarily due to regulatory changes in Mexico, the average yield improved slightly to US\$12 per day which more than offset the reduced number of machines under operation.

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 applicable Accounting Standards requirements. 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).

Additional non-cash impairment charges of \$3.9 million were recorded in the current period, for the Latin America and Australia and other CGUs. 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 resulting in 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.

AGT's domestic performance continued to show positive signs of improving performance as the period progressed with revenue increasing to \$23.2 million, an increase of 39% on the PCP. Revenues overall were impacted by the lockdowns in the first quarter of the PCP. Encouragingly, within New South Wales, revenues increased by 16% compared to the six months ended 30 June 2022 (prior half), with strong performance from the installations of newly released titles most notably Treasure Spirits™. Average selling prices improved despite competitive market conditions. Segment profit declined to \$2.1 million compared to \$3.3 million in the PCP. This decline was experienced due to increased marketing and trade show costs, increased production costs and material costs in the current period compared to the PCP.

The Rest of the World segment reported revenue of \$8.1 million with online revenues contributing 79% of the segment total, compared to 51% in the PCP. Higher margin online revenues enabled segment profit to increase 43% to \$5.7 million compared to \$4.0 million in the PCP.

Operating costs were carefully controlled in the current period, rising by 18%. Group operating costs in constant currency terms were \$101.9 million, 11% higher compared to the PCP. The increase in operating costs was mainly attributable to the increase in overall headcount in the current period to ensure talent retention to support business growth and implemented strategies. The increase in the Americas was partially offset by reductions in resources in Australia reflecting the reduced revenue environment. Global inflation also contributed to increase in operating costs with measures introduced to mitigate inflationary cost pressures being encountered.

Research & Development (R&D) expenses increased by 8% compared to PCP and 12% compared to the prior half reflecting the Company's continued focus on product development investment to produce competitive products. R&D expenses represented 16% of total revenue in the current period. A consistent level of investment in R&D is expected to continue as the Company revamped its studios in Sydney and Las Vegas by adding new talent along with establishing new game studios based in Austin, Texas and Reno, Nevada led by experienced gaming veterans.

The previously initiated changes in the global organisational structure which provides new product leadership and clear lines of accountability is expected to provide on-going efficiencies and 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.

Operating cash flows in the period have been initially impacted by investment in technology and game development, and increased inventory holdings to ensure protection against any potential supply chain disruptions. Net cash held at the reporting date was \$36.5 million, a decrease on the \$50.3 million reported at 30 June 2022. Despite a higher revenue reported in this period, receivables balance of \$115.5 million was consistent compared to the balance of \$112.7 million reported at 30 June 2022.



Mr Harald Neumann, AGT's Chief Executive Officer commented, "I am pleased to report that continued progress in the current period against established strategies have been implemented which are expected to ensure improved earnings from Ainsworth in coming periods. AGT's performance continued to improve through the year driven by re-openings and recovery in many of our major international markets. I am confident that the investments we have made to fundamentally upgrade our technology, hardware and improve game performance is expected to deliver further improvements in our results. This is key to our long term sustained success and I look forward to updating you as continued progress is made."

This announcement was authorised for lodgement by the Board of Directors.

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