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Ainsworth Game Technology Limited (AGT) FY21 Full Year Results – Second Half Recovery

Following the announcement released to ASX on 12 August of the FY21 preliminary unaudited results, AGT is now pleased to provide the audited results for the twelve months to 30 June 2021. The audited results are consistent with the preliminary results.

For FY21, AGT reported a Loss before Tax of \$59.2 million. This result included \$42.1 million relating to currency impacts and other one-off non-recurring items, including non-cash impairment charges of \$41.7 million.

The results for the second half of FY21 (2HFY21) was a significant improvement on the first half results (1HFY21). This has followed the progression of vaccination programs across our major markets where most customers' venues gradually reopened, with a relaxation of previously instigated restrictions. Compared to the \$56.6 million Loss before Tax reported for 1HFY21, AGT delivered improved performance for the 2HFY21 with a small loss of \$2.6 million.

The full year results included \$11.5 million currency translation losses and \$41.7 million in one-off, non-cash impairment charges. This prudent decision to write down asset values relates to the current uncertainties and risks in forecasted cashflows for the Australian and Other (comprising Rest of World) and Latin American regions. The detrimental impact of the Delta variant of COVID-19 has consequently led to the slowdown in industry activity levels and the extension of lock downs across Australia has prompted a revision to the timing of future forecasted cashflows.

Excluding currency translation impacts and one-off items noted above, the Loss before Tax for the year was \$17.1 million, represented by a loss in 1HFY21 of \$18.7 million and a profit in 2HFY21 of \$1.6 million. This compares to a loss of \$34.0 million in FY20 on a similar basis.

Adjusted EBITDA, which is a more reflective measure of operational performance significantly improved in 2HFY21, and increased year on year. AGT reported adjusted EBITDA of \$15.5 million for FY21 compared to \$5.8 million in the Prior Corresponding period (PCP). Adjusted EBITDA for 2HFY21 was \$14.4 million compared to \$1.1 million in 1HFY21.

Total revenue increased to \$159.5 million, up 7% compared to PCP, with a 21% improvement in the second half compared to the first half of FY21. Revenues in 2HFY21 within domestic markets were broadly consistent with 1HFY21 and were up 125% from the \$8.8 million in 2HFY20 following the initial declaration of the pandemic.



International markets contributed \$120.5 million in revenue for FY21, representing 76% of the group's FY21 total revenue. This delivered an improved performance overall with 2HFY21 representing \$67.6 million, up 28% on 1HFY21. Recurring revenues continue to grow, accounting for 28% of total revenues (26% in PCP). AGT's units under gaming operation increased by 9% to 7,052, generating annuity style recurring revenues.

The North America region was once again the highlight of the results. The region reported revenue of \$88.5 million, up 23%. Customer activity has recovered strongly with the reopening of most markets.

AGT's leading Historical Horse Racing (HHR) products and system continue to perform well. AGT is pursuing new revenue opportunities in current established markets and new jurisdictions where legislation has recently been passed, including New Hampshire, Wyoming and Louisiana. The previously launched A-Star cabinet was successfully exhibited at the National Indian Gaming Association trade show in July 2021, the first to take place since the declaration of the pandemic, generating positive customer responses and feedback.

Assets on participation were up 17% to 2,712. Participation and lease revenue increased by 66% year on year, and now contribute a greater share of overall regional revenue at 44% (32% in FY20).

Following the close of the financial year, AGT completed a cash sale to Kentucky Downs of 400 machines previously under participation. The sale represents a mixture of hardware configurations including a portion of the newly released A-Star curve cabinets. The agreement provides for AGT to receive connection fees in FY22 and beyond.

The Australian region delivered a good result, with solid recovery over the PCP. The new A-Star curve cabinet and suite of innovative games were launched in the year. Revenue grew by 38% and EBITDA by 15% to 5.4m (PCP: \$4.7m). Revenue increased in all states, except Victoria. While the current state of lockdowns present uncertainties, customers continue to invest in their gaming floors to ensure they are competitively placed and appropriately resourced for when venues are permitted to reopen.

Latin America has been heavily impacted by the pandemic with high transmission rates. Government mandated closures and access restrictions to customer venues in Mexico, Argentina, and Peru continued to affect performance. Revenues for the region were \$18.3 million, a reduction of 56%.

Results in 2HFY21 saw some recovery with revenues of \$13.5 million compared to \$4.8 million reported in 1HFY21. Of the 625 machines AGT sold in the year, 514 were in 2HFY21, of which 59% were reconditioned units. As these markets increase vaccination rates, it is expected that Government restrictions will be further eased within FY22 and revenue opportunities should develop as previously deferred purchasing decisions are progressed across the region.

Online revenue grew by 28% to \$5.9 million in the year following the launch of Real Money Gaming in New Jersey in April 2020. AGT progressively went live with its innovative content with seven (7) major operators during the current period. The success of this business resulted in the execution of the US exclusivity agreement with GAN Limited, ensuring continued growth in FY22 and beyond.

The gross margin in FY21 was 56%, an increase on the 52% reported in the 1HFY21, however an overall reduction on the 61% in the PCP. The reduced margin was primarily due to further write down of older style cabinets, higher production overhead costs resulting from lower production units and sales forecasts in most jurisdictions.

Operating costs in FY21 were \$98.4 million, a decrease of 20% on the \$122.7 million in the PCP. Current economic challenges resulted in the instigation of effective management and control of operational expenses, including agreed rental concessions, voluntary employee salary reductions and receipt of available government subsidies. Headcount reductions towards the end of FY20 provided additional overhead savings during the current year as costs were maintained despite growth in revenue.

In line with the strategic priority to protect AGT during this challenging period, the Company's balance sheet and liquidity have been strengthened. At 30 June 2021, AGT had a cash balance of \$42.4 million and since then, the cash balance has further increased. In July, AGT received the initial US\$5 million contribution from GAN Limited, as a result of the exclusive distribution agreement for Real Money Gaming within the USA.

Given the focus on liquidity and ensuring AGT is well placed during challenging market conditions, the dividend program remains suspended.

A reconciliation of the FY21 normalised Loss before tax based on audited financial results is provided as follows:

	FY21 A\$'000
Normalised Loss before tax	(17,136)
Add/(Less)	
Foreign Currency losses	(11,456)
Profit on sale of surplus land	3,315
Australia JobKeeper subsidies	4,164
USA employment retention tax credits	3,137
Rent concessions	519
Non-cash impairment charges	(41,713)
Reported Loss before tax	(59,170)

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

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