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Ainsworth Game Technology Limited
Half Year Results to 31 December 2017 (H1FY18)

H1FY18 Results in line with expectations with good momentum going into H2FY18

Ainsworth Game Technology Limited (AGT) today announced Profit before Tax (PBT) for H1FY18 on a pre currency basis of $16.2 million, an increase of 7% on the prior corresponding period. Included in this result was a one-off gain of $2.5 million on the sale of a surplus portion of land in Las Vegas. Normalised for currency effects and the gain on the sale of the land, PBT was $13.7 million compared to $15.2 million in the prior corresponding period, a decrease of 10%.

Ainsworth made progress in the half resulting in a more competitive product range to enable growing market share and further increasing recurring revenues. International revenues accounted for almost seventy percent of group revenues and increased by 2%. In North America, the Pac Man™ licensed product is successfully boosting the size of our installed base of machines on participation. Ainsworth now has 5,850 units on participation/lease with customers, a pleasing rise of 18% on pcp.

Based on these results being in line with the Board's expectations, and with good momentum going into the expected strong H2, Ainsworth is reinitiating its dividend policy of returning profits to shareholders. The directors have declared a 1.5cps fully franked interim dividend.

Chief Executive Officer, Mr Danny Gladstone said, "The H1FY18 results are in line with our expectations. We continue to make good progress in executing on our key strategies to grow and strengthen Ainsworth.

We have invested in new technologies and are increasing our range of innovative content. We have intensified our sales and marketing focus and with new jurisdictions, our international footprint is expanding. Our pipeline of contracted orders is strong. We expect to progressively grow market share and profitability across both international and domestic markets.

In North America, we consolidated our strong market position with sales and profit both increasing. Class II markets continue to drive solid growth with almost 3,000 machines now on participation, an increase of 7%.

In Latin America, we delivered consistent growth with sales increasing by 11%. We also enjoyed substantial growth in the number of units on participation, up 31%.

In Australia, we continued to see challenging and competitive market conditions with sales down 10%. However, as we predicted last August, our market share is starting to improve as we release our innovative new technologies albeit off a low base. Looking ahead, we have expectations for a recovery in market share in H2".

Outlook

Mr Gladstone said, "Our first half results provide a solid base for a strong second half performance. We enter H2 with good momentum and we are making continuing progress in growing in the Americas where our innovative technologies perform well. We expect to increase our units on participation, driving high quality earnings and strong cash flow.

We look forward to building our strategic relationship with Churchill Downs Inc and growing in new jurisdictions such as Washington. Our relationship with our partner Novomatic is also developing well and we expect to sell more kits and machines to them in the second half.

We expect H2FY18 Profit Before Tax result, excluding currency movements to be modestly ahead of the $42.2 million in H2FY17".

The financial results for the year ended 31 December 2017 are summarised as follows:

Amounts expressed in A$ millions *(unless otherwise stated)*	**H1FY18**	**H1FY17**	**H2FY17**	**FY17**
Revenue	120.3	122.7	159.4	282.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	24.6	31.9	38.4	70.3
Underlying EBITDA(1)	26.9	30.0	54.1	84.1
Earnings before interest and tax (EBIT)	10.8	18.6	25.9	44.5
Profit before tax	11.8	20.0	26.9	46.9
Profit after tax	9.7	20.6	17.3	37.9
Normalised Profit after tax(2)	13.6	16.3	31.3	47.6
Earnings per share (basic) – dollars	$0.03	$0.06	$0.05	$0.12
Dividends per share (fully franked) - cents	1.5c	-	-	-

(1) Underlying EBITDA adjusts for currency impacts and significant items outside ordinary business activities

(2) Normalised profit after tax excluding currency impacts

Results

Sales revenue for H1FY18 was $120.3 million, compared to $122.7 million for the previous corresponding period (pcp), a slight decrease of 2%. Modest growth in international markets was offset by a weaker domestic performance.

- International revenues increased by 2% at $83.2 million compared to $81.7 million in the pcp;
- International revenue contributed 69% of total revenue, compared to 67% in the pcp, The Americas now constitute 62% ($74.9m);

- Revenue from participation and leased machines under operation was $23.4 million, an increase of 14% on the pcp. These annuity revenues now contribute 28% of total international revenue;

- Units under gaming operations for the period were 5,850 units, an increase of 18% from the pcp;

- Cost of sales in the period were $51.2 million compared to $48.3 million in the pcp;

- Gross margin achieved for the current half year period was 57%, compared to 61% for first half FY17. The reduction in margin was due to product mix change resulting from the transition to the A600 product range, which has higher componentry costs;

- R&D expense represented 14% of revenue, a 1% decrease from 15% in the corresponding period under the new technology leadership, we are taking a more focused and commercial approach to this investment spend;

- Total operating costs fell by 4% to $55.9m;

- Cash inflows from operations in the first half were $6.9m, in line with the pcp. Total Cash held, as at 31 December 2017 was $28.7m, a modest increase on the $27.4m held in the pcp. The Board continues to maintain a conservative approach to balance sheet leverage with debt to EBITDA at 1.08 times at the end of the half;

North America

- Ainsworth consolidated its strong market position in North America and the current management team is operating well under the flatter organisational structure;
- North America contributed $38.3 million in revenue, an increase of 3% on the pcp;
- Profitability increased by 3% to $14.7m;
- Margins were consistent at 38%. Continued growth in the installed base of units under gaming operation which increased by 7% to 2,997;
- Yield increased to US$25 per day, as the Pac Man™ licensed product continues to gain market traction with 455 units on participation;

Latin America

- Revenues increased by 11% to $36.6 million;
- Profitability declined by 18% to $13.2m as yields on gaming operations moved down by $1 per day and the market overall remained challenging;
- Machines sold increased to 1,552, a rise of 26%;
- Units under gaming operations increased strongly to 2,853, up 31%;
- Mexico remains an important market in the region with significant market share increases and strong results;

Rest of World Including NZ, Asia and Europe

- Lower sales and profits, down 27% and 16%, respectively;
- Expect a good contribution from Novomatic in the second half of the year with the commitment for 1,000 kits to be delivered;

Australia

- Domestic revenue was $37.1 million (31% of total revenue) a decrease of 10% on the pcp;
- Sales increased by 12% sequentially on the second half of FY17; our market share is rising. The release of new game portfolio and new EVO cabinet are driving this improvement and we expect further share gains in H2;

Online Gaming

- Ainsworth's strategic investments in real money gaming and social casino platform technology are beginning to deliver positive results; and
- Revenues from third party platform providers increased by 133%.

Based on the results for the first half being in line with expectations, and recognising the good momentum going in to the second half, the Board is pleased to recommence its dividend policy of returning profits to shareholders. An interim dividend of 1.5 cents per ordinary share has been declared. The dividend is fully franked with Nil Conduit Foreign Income (CFI).

The dividend results in a payout ratio of 51% of profit after tax, within the previously stared payout range of 40-60%. A Dividend Reinvestment Plan (DRP) will be available to shareholders offering the opportunity to take their dividend in new shares. The DRP is available to view on the Company's website: AGI - Dividend Reinvestment Plan.

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

Shares trade ex- dividend	Monday 5 March 2018
Record date	Tuesday 6 March 2018
Entitlement date	Tuesday 27 March 2018
DRP price determination date	Wednesday 28 March 2018
Payment date	Tuesday 8 May 2018

Ends

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