

Aristocrat Management Roundtable

Tuesday 30 March 2021, 8:00 AM ADST

Rohan Gallagher: Good morning, everybody and welcome to our second virtual management roadshow.

My name is Rohan Gallagher, and along with Linda Assatoury we look after the investor relations program here at Aristocrat.

Today we have several members of our Executive Management Team, Mr Trevor Croker, our CEO, good morning Trevor. We have Mr Mitchell Bowen, who runs our gaming and transformation operations, good morning Mitch. And making her equity market debut, we have Natalie Toohey, our Chief Corporate Affairs Officer.

So conscious of we are heading into our 31 March period end and we will be going into blackout, we are keen to have provide open and fair access to our senior management team. We have got over 100 registered guests and thank you for those submitting questions. We will go through as many questions as we can in the allocated one hour. For those questions that we can answer, and we cannot make it due to time constraints, I will reach out separately at the end of this call to those participants.

And without further ado, I'll open the meeting and the roundtable, and I'll ask Trevor first of all, if you could just give a quick update from your perspective around how the performance of the business and strategy of the company is going. Thanks Trevor.

Trevor Croker: Thanks Rohan, good morning everybody, and thanks for your time and continued interest in Aristocrat.

When we went into COVID, we said that we were going to lead the industry out of this pandemic. We said we are going to lead it out through being People First, Customer Centric and focus on business resilience and operations.

I can sit here today and say that we are achieving on all of those objectives as we come out of this period with COVID activity. If I go back and reflect on what we have done from our people first is, we were the only manufacturer to continue continuous delivery of games and invest behind our D&D portfolio, including opening two new studios during this period, which you can see flows through in the Eilers & Krejcik survey on game performance and cabinet performance only published last week.

If I then look at what are we doing from a customer centric point of view, we have had recent NPS data suggesting that we are continuing to improve on our NPS consistently over the last period of time and making major inroads in both the size and the quality of the transactions that we're doing with our customers.

And finally, about business resiliency, the business is in great shape. We have continued to work hard, allocating resources and prioritization. We have focused on the liquidity of the organization and also making sure we have the strength in our balance sheet and capacity for the next wave of growth for Aristocrat.

We still see M&A as an accelerator of growth for our company, and we're well positioned for the right opportunities aligned with our strategy to do that.

So, all in all, we took the time to refresh our strategy... We have continued to execute on that strategy, and I can point to a number of points of where we've been able to do that. No doubt Mitchell will talk to those in the gaming business, and I can also talk to where we've been able to move our Digital business over to a more than \$2 billion revenue business now, with a good, diversified portfolio across Social Casino, Strategy and Casual genres.

With Social Casino, we are continuing to take share against our major competitors in the Social Casino market and grow above category. In Strategy, we now have the number one Western title in RAID, continuing to be able to scale that product as well. And more recently with the Casual games, the launch of EverMerge, which is making great progress and is now the clear number two in the merge category, overall positioning Aristocrat in the Western World as a top five mobile games producer.

So, with that Rohan, I think it is probably best we head into some questions.

Rohan Gallagher: Fantastic, thanks Trevor. We had a lot of questions around GROWTH. We see ourselves at Aristocrat as a growth company. What growth options do you think that we have across the business and beyond, at this point in time, Trevor?

Trevor Croker: Thank you so yes, we do see ourselves as a growth company, and I think what I said at the start there is we've come out of this period with momentum. We have come out with a clear purpose and focus. If I look at the gaming business, I can still see our ability to take share and you will have seen some of the Eilers reports coming out recently and we are continuing to take share in the categories in which we participate.

We have got adjacencies, where we can enter new adjacencies, whether it is Illinois VLT, whether it's other VLT markets, New York lotteries. We see all these adjacencies as a natural build on the capabilities that we already have as an organization, and also the strengths that we can bring to entering those markets.

So, on a Gaming point of view, great momentum there. I would like to point specifically to the CX team or our Customer Service team. They have done a great job in developing cashless and contactless transactions for the systems business and we can see that continuing to be able to grow as more and more of those trends become real in the retail gaming environment.

If you then move to the Digital world, now we have got three strong portfolios between Social Casino, Casual and Strategy and RPG. We see the ability to continue to expand into those genres and to expand into other adjacencies which we have discussed with you in the past.

During this period, we have been building talent, we have been bringing more talent into the organization. We have been able to secure great talent into leadership roles and also building talent relationships as we expand in studios through Neskin and Proteus through the period of time as well.

So, all of that said, from our core businesses, we have the ability to continue to expand and grow. And then there's natural other adjacencies and one of those is RMG (Real Money Gaming). It is a near proximity to what we currently do. It is an option for us, as are other options around the industry as a whole.

Rohan Gallagher: Fantastic, now Trevor, the market loves a good "catalyst" and there is no better catalyst than M&A. You know we've had a lot of questions around M&A, particularly given the strength of the balance sheet courtesy of that strong free cash flows that we do generate. What are

your thoughts on M&A and are there any gaps in the portfolio at the moment that you'd like to close out?

Trevor Croker: Yeah, thanks Rohan. I think, well certainly, M&A has been an **accelerator of growth** for Aristocrat. If you go back and look at the four M&A's we have done, each one of those has been a catalyst to our waves of growth as an organization.

We continue to take a very pragmatic and disciplined approach to the way we think about M&A, both from a strategic point of view and an Operations and Capabilities point of view as well.

We will continue to evaluate opportunities in our markets, whether they're in the Gaming market, whether they're in the Digital market or whether they're in other adjacencies. We continue to be in the flow and evaluating those options which suit our strategic objectives, which we shared with you in the full year results in our strategic ribbon. So, we continue to be pragmatic about that.

We also are disciplined around the way that we create **long term shareholder value**, as opposed to short term transactions, and are focused on what we need to fill out our portfolio. As I said earlier, there's a natural growth we've got in both Land (Gaming) and Digital, but there are also acquisitions that continue to accelerate our growth as well.

Rohan Gallagher: Fantastic. One of the more popular questions we have received is around Real Money Gaming, which is interesting given that we're actually not in there. Can you give us a bit of a background as to why we haven't entered that market, as the US markets are opening up at the moment, but even historically?

Trevor Croker: So, we have been monitoring this market for some time. We did have content in the Real Money marketplace about five years ago. We no longer have any content being distributed in that marketplace as a whole.

We are obviously watching the way that the market is evolving. At this stage there is only six states that have legalized in North America, I think there's a lot more headlines around what's happening in North America RMG than what's happening in actual traction, but we continue to monitor that and keep looking at what the options could be longer term.

Rohan Gallagher: So, Trevor, my understanding is that Real Money Gaming is Sports betting, Online gaming (or iGaming) and then there's iLotteries. **James Robinson from Alliance Bernstein** has asked specifically around online gaming or iGaming. What are your thoughts around the potential to grow into that category given the potential overlap with content?

Trevor Croker: Thanks James, if you go back to what we are as a company, we're a content technology and distribution company. We make great content; we continue to support and invest behind technology and we look for new ways to distribute that.

So, the ways that we could enter an online or an iGaming space is with our customers asking us to enter into those segments and producing product for them in the iGaming slots perspective. But there is iGaming slots, there's also Keno, Bingo, live table and sports that all come towards a total portfolio, so our natural option would be to provide content.

But there are other levels there, you can go in as a **pure content play**, you could go in as a **content aggregator which** would require a broader suite than just slots, or you can go in as a **platform play**.

And so those options are all out there. We continue to listen to our customers and work with our customers on what their requirements are and what they want to do to be successful.

Rohan Gallagher: Fantastic, Trevor, on the same topic, on iGaming, **Elise Kennedy from Jarden** has asked, do you see iGaming as a threat or an opportunity to your Social Casino gaming, and have you seen any changes in those states that have legalized to date?

Trevor Croker: Thanks Elise, appreciate the question. That is naturally an important question when you think about sort of the headlines that are coming out on the growth rates, but to date, of all those six states that we have been monitoring, we've seen iGaming as accretive to the overall market and continues to be that.

Our belief is that there is a genuine option there for a different demographic and a different group of consumers to enjoy our products or to enjoy products in that segment. And therefore, we think that at this point in time it's going to be accretive to the industry.

So far, if you look at some of those more mature states like New Jersey, which are at it for a number of years now, we're continuing to see growth in our Social Casino business, we're continuing to see growth in that market as a whole and we're still seeing our land-based gaming customers are reporting good growth. It is a bit different with COVID, but they're still providing good growth there.

Rohan Gallagher: Fantastic, there may be one or two questions, subject to time we'll come back to. Let's move on to gaming or the land-based operations, as many of you know it, and welcome Mitchell Bowen.

Firstly, can you just provide a helicopter view of the markets and how they are operating in this COVID-affected area at the moment.

Mitchell Bowen: Yeah, sure Rohan. Thank you. Look I think around the grounds, let's start with the international business - the EMEA, European, South Africa region, as well as the Asia region - sort of remains largely inactive at this point for a myriad of reasons. There are some green shoots there, however, we will be, like we are in the other regions, very well prepared when those markets really start to get a bit more of activity and open up from a gaming perspective, so we're working closely with our operators there.

When you come locally here to **Australia**, it has really been very, very positive and certainly a lot more positive than our original assumptions going into what this recovery would look like. So, when you think about historic churn levels around that 10%, our assumptions were around maybe one-third of that through '21 and into early '22. The market's tracking above that, probably to just over a half of those levels and then our game performance and our operational performance, we are tracking ahead of that.

We're really happy with the **depth and breadth of our library and our content**. We've got games working from a myriad of studios across the ANZ market, the cabinet mix is performing well, the tactical customer plan - Aristocrat Assist - has really started to show and demonstrate some goodwill in the marketplace and we're really capitalizing on some share growth there.

So, ANZ customer-wise, there would be about, I would say, probably a fraction over 90% of machines that are active in the Australia/New Zealand marketplace. There is a little bit of operator activity in that space as I am sure you are reading about, certainly in pub land and in hotel land with some of the larger players looking to buy and scale as they go, so there's a bit of movement there that we're watching.

But overall, we are very happy with our recovery in Australian market and certainly the customer sentiment that's coming out with our game performance and mix going forward.

I'll turn to **North America**, quite a similar story in that it's tracking ahead of our expectations in terms of a COVID recovery. We've got about probably a fraction over 90 - 92% of venues that are opening now. Generally, between Class III and Class II install bases you get about 75% to 85% of the fleets that are activated at the moment. We're tracking probably 5- 7% above those levels (each currently), which again demonstrates that sort of the tactical recovery plan that we put in during COVID, which is great.

We are seeing higher coin in levels than we would have anticipated, so player demand and the way operators have prioritized their marketing spend and making sure that they are looking after their patrons as they come into a safe environment. Trevor talked about some of the contactless solutions and the cleanliness solutions that have been put in around the industry - so that's all tracking ahead of our expectations, which is really positive.

Certainly, as Trevor referenced with the recent game performance and the reports that are coming out, we've had some great success there across both Game Ops in Class III as well as Class II, as well as our Outright Sales products.

With all of our studios, not just one or two but pretty much all the studios featuring in the reports and certainly when you start to think about **18 of the top 25 games**, the trends of players coming back into known mechanics, known products and brands have really helped our recovery and certainly our overall fleet activation as we go through there. What else can I tell you about North America?

Rohan Gallagher: Let's go to a couple of the questions. **Desmond from Goldman Sachs and David from Macquarie** asks, how do you see the market size over the next few years - and a good question is - has that view changed in the last six months?

Mitchell Bowen: Yeah, so I think if you look at North America, historically we've had an outright sales market of 70-80,000.... and the market number coming out of (COVID) is tracking well below that at that 45 or 50 (thousand machine) range.

Our views on that have not changed. Game sales and operators use of discretionary capital is remaining tentative I guess at this point and that's all due to potential shutdowns, lockdowns, watching their operational expenditure and those sorts of things. So, I think we will look to see a **slower recovery over the next 12 to 18 months** in that outright sale market.

That said, this sort of risk-based approach that operators are taking, we have seen, whether it's artificial or not, but there is a bit of an increase in the way they're buying in terms of these leasing models and things which they don't have to outlay that capital, but they can get great performing products on their floor and it protects them against a potential shut down.

So, we are seeing a period, too early to tell or to quantify what that looks like overall, but certainly with our share growth in both the game sale and gaming operations market, we are seeing some positive signs from operators.

And I think it's really the next phase, Rohan, is as other things start to open up - I know we've talked previously about operators prioritizing what food and beverage outlets they've got on, how much of the floor they've got activated, what events they're playing, what other things consumers have to spend their money on. I think that's sort of the next piece that says, as things start to open up more in North America, more people get vaccinated and restrictions are eased, we'll start to see what that really is doing on player demand and coin in levels and those sorts of things. So, that's the next six to nine months of what we think, what we're looking at.

Mitchell Bowen: Did you want to add anything?

Trevor Croker: I was just going to say, what about the openings, some of the new openings that you have been getting?

Mitchell Bowen: Yeah, so when we talk about those, the Game Sale markets and what not, we are certainly very comfortable with our new openings. Casinos like Saracen (Qapaw tribe, Arkansas) and those where we are, where we start to think about our market share into game sales in that 18-20% range. Our ship share is tracking well above that, if you think about the Eilers report we have gone from 21% to around 25%, and we've grabbed considerably much higher than that in our new openings.

So, with our Aristocrat Assist package, our **focus on customers**, our breadth and depth of our library, we are really starting to see some fantastic momentum for us in North America.

Rohan Gallagher: That operational & financial support appears to have added a fair amount of goodwill with the customer and I know that Customers Centricity is a key platform in Trevor's COVID response. In terms of the game floor, and I know it changes from market to market, even within actual corporates themselves, have you seen the change in the mix between leased and outright sale machines in the American market?

Mitchell Bowen: I think again, it's important to understand the segmentation of the operators. We've talked about it previously; we are **overweight in our regional and tribal properties** and then **underweight in our corporate destination-style venues**. But, importantly even in markets like Nevada or New Jersey, we are seeing some strengthening demand in those destination-style of markets as well, which is positive.

I think, from a from an overall financial perspective, when we think about operators and their mindsets, they are tending to think about how they can mitigate their risks or minimize their risk going forward, which has led to this, I am going to call it, temporary because it's too early to say it's a trend at this point, but certainly, an increase in a lease or gaming operations footprints. And we've certainly seen some increases in those products over the last six months or so.

Rohan Gallagher: Yeah, thanks. The industry's been very supported by a number of pieces of independent research and Eilers, we refer to on a regular basis - and shout out to Todd Eilers who I believe may be on the call today...two surveys ago we saw gaming ops come off, and then we saw an install base increase, yet some of our competitor recent quarterly's we've seen some of those units taken off the floor. What is your read on that gaming ops market at this particular point in time, and how do you see us positioned?

Mitchell Bowen: Yeah, well I think Todd, as long as we're at the top of the charts keep those reports coming, keep those surveys happening.

No look, I think, as much as we love that survey, they are just that, they are a sample of the overall market. And I think where we've seen some markets like the east coast and some of the southern states of where we've increased some share.

And so, you will see some volatility in with a sample set like an Eilers report versus what we're seeing with our own internal data. But, certainly on a MAT basis, on a quarterly basis, we are seeing some great momentum down the operations space.

Rohan Gallagher: In my time at Aristocrat, the surveys sort of move around, but there has been a fairly consistent trend. The last survey looked pretty phenomenal from a company perspective -

whether it be game sales, gaming ops, new game releases, cabinets, etc. What's your take on those recent survey results?

Mitchell Bowen: Can we do virtual high fives? No, we can't do that...

What I would say is I think we have spoken previously around some of the decisions we made during COVID around the investment in or continued investment in our D&D studios, and making sure that not just D&D, but we have got a resilient supply chain, that we've got people focused on customer and operator needs, because everybody was different. But then obviously making sure that we continue to invest in our R&D both hardware, software, and our services. Because we know, you guys know, that we are only as good as our next game, our next cabinet, our next hardware, or service, all those sorts of things.

So, that the risk of eradicating complacency and continuing to drive innovation excellence, we maintain that investment. We are now seeing, if you take those performance reports, one of the nice things that we as a management team and as all our staff internally, is it represents the breadth and depth of all of our studios, right. It's not just one or two... across the board.

So, whether it's talent that we've brought in the last couple of years or its talent we've had for the last 10, they're all featuring in some way, shape or form in not just the gaming operations or the game sales but some of those adjacencies that Trevor talked about, and we'll continue to see that as we invest and grow into more and more of these adjacencies.

The breadth and depth of talent and capability, as well as the library, the portfolio - being content, game services and so on - has really been the highlight for us, which really shows the sustainability of how we can continue this going forward.

We're not reliant on just one section or one product segment or one studio. We are performing across the board and so that's personally what we talk about is how do we make sure we maintain that and continue to innovate and grow and deliver customers the next great game or the next innovative cabinet or solution, in order to continue to take share and grow.

Rohan Gallagher: Yeah, fantastic and obviously it just reiterates the **Outlook Statement** we had around our **aspirations around taking share and continue to grow**, regardless of the market size, so thanks for that.

Let us move on to our Digital operations, which is, you know, it's been a successful diversification strategy over the last few years which was really tested during COVID. Trevor, can you just talk about first of all, the overall performance and what you're seeing in **Social Casino?**

Trevor Croker: Thanks Rohan. I think we have spoken to investors a few times about what we needed to do to address our Social Casino business and that really took effect in January last year. We have seen that momentum build through the last 12 months and continues to stay very, very strong, so we are taking share against our major competitors in Social Casino.

We have seen growth in particularly Lightning Link and Cashman (Casino), and also seeing good performance out of the rest of the Social Casino business.

So, I feel very good about what the team has done in Social Casino given it was the core of where we are, but we now have - you used the word diversification in the context of our overall business - but I do think and say that **diversification now is across the whole digital business** with a strong portfolio in Social Casino... number two in its category.

Number one in in the strategy and RPG category and showing some real traction to being a stronger Casual play with the number two in the merged segment, and certainly continuing to grow and grow that segment as a whole.

I think the teams' done a great job you know, particularly around features, live ops and built on that. That was a gap we had, and we have definitely built that skill set and continue to be able to leverage it.

If I look at performance year over year, I feel very comfortable about the step up that we saw through COVID as being a more of a permanent step up and what we potentially had thought of initially. And that certainly is continuing to flow through on an ongoing basis.

Rohan Gallagher: We talk about the portfolio and we develop games for the portfolio top line growth but, you have got to be lucky as well as good, and we organically have developed a world class game in RAID Shadow Legends in the Strategy/RPG area. **Brian Raymond from Citi** has asked about the performance of RAID, and has that plateaued now, or do you see continued growth from this particular franchise?

Trevor Croker: Yeah, thanks for the question, Brian. Look, RAID has been a great product and it continues to keep growing. We are in a cumulative profit stage now, so we're still seeing growth but we're also seeing profitable growth coming through from a cumulative profit basis.

RAID is sitting somewhere between \$30 (million) and \$35 million a month now...and we continue to see ways to use unique UA investment. So, we are still spending strong UA but we're using alternative ways to do that to drive new users. And we're finding that that, plus the incremental features that were released earlier this year, the Tower (130 levels) and some of the new extra characters that have been added in have actually bought in more depth to the game, and continue to see it growing.

So, I still see growth in the RAID franchise. Obviously not at the rates that we've been experiencing because it went through a very steep growth curve. But certainly, the product is differentiated, we're able to continue to reinvest in new and creative ways to attract users and we're finding that the cohorts that have come in are staying in the game for a long period of time.

Rohan Gallagher: If we look at... you touched on diversification within the digital business, Trevor, and it's seemingly unusual when you look at other public listed digital companies that can actually grow world class games in different genres, but it appears as though we've done this again with **EverMerge in the Casual segment**. Can you just give us an update on EverMerge and its performance since its worldwide launch?

Trevor Croker: So, we launched EVERMEGE in May... and it is continued to scale. I think, last time we spoke to the market, we were guiding towards you know \$5 to \$6 million a month in bookings. That's probably closer to (US)\$10 (million) now and we're continuing to see that product scale.

And lots of new features coming out, there was some very good activity during the Valentine's period and some of this new island concepts that were out there.

But you know we are in that merge category, knew it was only a small category when we entered it. We are growing the category and we're also taking share, so, you know, we're into the 20s (% market share) and continuing to see an opportunity to continue to grow.

I'm feeling very comfortable that both the relationship with Neskin, which is a new strategic relationship for us, the team's focus on how we grow and aggressively grow that segment.

You put that, and you put Lightning Link and you put RAID together and they're three very strong portfolio games that any digital business would like to have and each of those are, well certainly Lightning Link and RAID are at profit stage and EverMerge is not that far away.

Rohan Gallagher: Fantastic, Trevor, whilst Matt's at Bondi, **Suthesh from UBS** is asking, can you provide an update on the game pipeline?

Trevor Croker: Yeah, thanks Suthesh. Look, we've got about **four games that are in soft launch** or very close to soft launch and, as you know, we get games into soft launch, we continue to tweak them and monitor them and some of them like **Mech Arena** are certainly showing good retention signs now and is moving closer and closer towards worldwide launch.

So, we have got about 12 to 15 games in the pipeline at any point in time. We have now got about four that are in soft launch, we got one of those being Mech Arena plus a couple of others in Magic Wars and 8 Ball Smash, which are all sitting in the pipeline. And so, I think at this point in time, you would probably expect to see at least one come to market this year, maybe two depending on how the soft launch metrics go.

Rohan Gallagher: One of the potential business risks for the digital business as the uncertainty that is IDFA. **Sasha from Evans & Partners** has asked, what is the latest view around IDFA and what do you expect the impact to be, particularly on Social Casino and RAID?

Trevor Croker: Thanks Sasha. So, as of last night, feedback from the platforms is that IDFA appears to have been delayed again, and it is looking towards late spring before we'll have more certainty on that. We've had no formal advice on it, but we have had conversations with the platforms, and we continue to talk with all stakeholders in the platform, not just Apple, Facebook and Google, but to understand what's going on. So, we believe that that has been delayed because it was originally going to be sometime late March and we definitely have had no indication on what's happening from that perspective.

If we talk about what does it mean for us, we actually think this is where scale actually works for you and having a scale business, a diversified scale business provides us a lot of opportunity. We've been working on various strategies around how do we market our products to users in a post-IDFA world and we've been running trials and some of those trials have been very successful.

If you look at RAID, some of the activity we are doing with RAID at the moment is TV advertising and it's driving very strong... good strong traffic to the app itself so we're looking at other alternatives like that.

As we said, we have been talking with the platforms, working with other platforms to work out what their place and positions going to be. And I think what is happening at the moment is that we've done a lot of work, a lot of data science, a lot of testing to get ourselves comfortable that we believe we're well positioned for a post-IDFA world. We do not believe we're competitively disadvantaged because of either the portfolio we've got, or the size that we are in the organization as well.

Rohan Gallagher: Andy Orbach (Taylor Collison) has just asked, when we say delayed to late spring, in which hemisphere are we referring to specifically, recognizing that it's been delayed three times now, but that's a specific online question we've just received.

Trevor Croker: A great question, Andy, I was talking to people in London, so let's call it northern hemisphere spring.

Rohan Gallagher: Alright, fantastic. Since Big Fish, Plarium, we've had some tremendous organic growth - a real differentiator versus some of our public listed peers. Obviously, we've fast tracked and accelerated that growth in the past via M&A with those examples. So, **David from Macquarie** has asked, can you scale up the business with studio deals, or would you need to acquire more businesses ala a Big Fish, Plarium, etc?

Trevor Croker: Yeah, thanks David. So, the playbook that we have been using for the digital business to date has been to scale our technical talent, create a talent like we do with our land-based business. And that is where you've seen deals with Neskin, Proteus, and there are others that we're working through at the moment, as well as bringing in talent to build out our capability.

If you look at the genesis of who we are as a company, **we are a creative company**, we make creative things. We bring talent in, we provide them the canvas, if you like, to be able to make that creative product, and then we go and market and distribute it and merchandise it for them, if you like.

Is there opportunity? I still think there's still good talent deals to be had, and we are talking to talent that we would like to have join the Aristocrat Group, typically in the digital space. We're also talking to talent in the land-based world as well, to be frank.

At the same time, there are opportunities for buying businesses. I guess, where we're seeing the digital business at the moment is the multiples are pretty high. And the one thing I do like about our digital business compared to most digital businesses, is we're still making 30 plus percent profit margins which is different to a way, a lot of the digital businesses operate where they're more focused on revenue.

We believe we can grow revenue above category, and we can grow margins, and so we'll have a much stronger and more profitable business longer term.

So, it is there, David, is just a little bit more aggressive as far as pricing goes at the moment, but that doesn't stop us from looking at many different targets over the last couple of months.

Rohan Gallagher: It's interesting, we don't actually look at the diversification benefits, but I think the best performing game in Cashman Casino out right now is from our land-based Cash Express so it's great to see the synergies happening two ways.

In terms of a risk mitigant for IDFA is, you know, utilizing different platforms and we have our own platform in **Plarium Play**. Trevor, can you talk about how Plarium Play is performing and is that a potential growth option for the business on a go forward basis?

Trevor Croker: So, Plarium Play has been around for about 15, 16 months now, I think it is, maybe slightly longer. It's our own PC platform. We've really been using RAID as the catalyst to grow that platform. And from what we've seen to date, that is really nicely scaling each month. Incrementally, we're getting more users into that platform.

As I may have mentioned before, the team at Plarium kindly remind me that this is one business where gross revenue equals net revenue. So, there is no platform fee involved, and they are very conscious of that opportunity. That has scaled nicely, and I think it still continues to offer us opportunity for scaling.

It is a more loyal player base, and there's an opportunity there potentially to publish more content through that platform, consistent with the type of genre that they... current users are playing in.

Rohan Gallagher: ... Let's move on from the operations, for the time being, and let's move our attention towards **ESG**.

ESG is really important. It is important to our people, it's important to our suppliers, it's important to the community and it's important to you, our investment stakeholders. With that, I would welcome **Natalie Toohey, our Chief Corporate Affairs Officer**, to cover off a few questions, if I may, Natalie and first of all, welcome.

Irene Ye from CBA Private is asking how does Aristocrat actually incorporate ESG factors into its operations?

Natalie Toohey: Yeah, thanks for the question. I guess, I'd probably start by stressing what we don't do and what ESG isn't, at Aristocrat. I would say it's absolutely not a kind of corporate led exercise or an exercise that's predominantly about PR.

What we're very much focused on from a group perspective is bringing the right level of insight and impetus, if you like, to the organization on these issues.

It's the business that's accountable for delivery, and the focus is very much on improving core business systems and processes and taking actions that make us a better and a stronger business and are really aligned to the strategy. So really facilitate delivery of strategy, so just to make that point, I guess, up front.

We also take a very disciplined approach in terms of focusing all our attention on the issues that are really material for our business. So, the things that obviously drive value or could stop us from executing strategy and capturing value.

And we do take a lens in making that assessment, which is not only about, you know, our business today but also how we expect it to transform, and the views of our people, and as Rohan mentioned, our stakeholders including our investors and prospective investors.

So, in terms of where we're focused right now, we have those **six key areas** which I'd encourage everybody to explore on the website, in our disclosures.

Responsible Gameplay being our most obvious leadership opportunity and biggest... a real strategic driver as well. Corporate governance, Community and society, People First aspects so Employee relations, Diversity and Inclusion. And also, ethical sourcing which includes modern slavery commitments, ethical supply chain and, finally, energy and the environment.

I guess with respect to each of those topics, we've got very clearly articulated objectives that sit with leaders across the business, articulating what we are wanting to achieve in terms of progress. All of these agendas, I think it's fair to say, are... it's not a one and done. It's an ongoing exercise of making improvements and then planning further improvements off the basis of those.

So, we definitely take a kind of, medium term view, albeit we do drive for progress, very specific outcomes on an annual basis, through the performance management system.

We also apply a broader risk lens to what we are doing in total, so we do periodically check in with our enterprise risk. The board level - the Board-endorsed risk appetite statements - and we plug into the ERM in terms of the overall management of the effort.

So, it's very pragmatic, it's very much focused on embedding and improving through our core systems and processes, and it's very much business led.

So, I guess just perhaps a couple of examples. Measurable improvements in our diversity and inclusion performance, is an example of what we're shooting for currently. Complying fully with our Modern Slavery disclosure obligations. Continuing to lift the bar in terms of our governance and, you know, really being a leader in terms of governance. And bringing forward product innovations in the Responsible Gameplay space and driving a culture really of engaging with Responsible Gameplay.

So, pragmatic, practical, targeted and business led would be my summary.

Rohan Gallagher: If you have a look at ESG, there is a number of planks and, you know, the first person would think Responsible Gameplay is the most critical. But I think it is also important just to take into consideration that gaming is a state-by-state regulatory body and therefore compliance and governance is really super critical and we're seeing that play out in recent times, both locally and internationally, so I would never, sort of, gloss over those particular areas.

In terms of our way forward, Natalie, what do you see the priorities for ESG over the next six to 12 months?

Natalie Toohey: Yes, thanks Rohan. So, I guess from an overarching perspective, we're currently focused right now on **updating our materiality assessment**. We last did that a couple of years ago, so clearly the business has transformed in the interim, and plenty of other things have changed in our external environment and also internally, so in terms of stakeholder expectations.

I do know that a number of people on this call did participate and shared your views as part of that update process, and I just want to say thank you. Because it's excellent to have a strong investor voice and perspective coming through that, helping us, guiding us, around which issues we need to focus on going forward, so thank you.

I think, from an issues perspective it's many of the things that I called out... I just referenced. Continuing to operationalize our commitments in Responsible Gameplay (RG). In other words, taking those, kind of, policy statements and aspirations and really embedding them in the core operational processes of the business. Whether that's around product, whether that's around marketing and how we go to market and engage with customers, whether that's around things like staff engagement, culture, training, compliance. So, many, many threads to the RG effort and what we're really focused on is making sure that we are doing what we say we will do and really embedding those very much into the core business processes and functions.

We've got a number of very senior functional, cross functional leadership groups that are helping us really drive that through the business, so again very business driven. Whether that's at a product level or, as I say, on other issues.

I think we're making very good progress, I would say, and we're really looking forward to bringing more colour to that progress when we release our next iteration of disclosures towards the end of the year.

I think we're making really great ground in Digital. I think we're actually already very clearly, leading in Social Casino in terms of the RG initiatives that we've brought to bear already. And if you look at what we're doing in gaming, we've hit a really exciting milestone recently with the commercialization of Flexiplay in New South Wales.

For those who don't know, **Flexiplay** is an innovative EGM product that builds on previous trials so we've got a real track record of investing in trials and product innovation in this space, and it allows

players to voluntarily set time limits and to also quarantine winnings, to prevent them from being played down.

Our customers have been very interested in and supportive of these sorts of initiatives from us, as have policymakers, regulators. We're really looking forward to learning more from this and using those lessons to really feed into that further product innovations in the future.

And a couple of other priorities, I'll touch on briefly.

We're spending a fair bit of time at the moment really understanding our **greenhouse gas emission** profile as a business. As Trevor mentioned, we're really an ideas business at heart, so we don't have a particularly obvious heavy carbon profile, but we really feel that, in addition to delivering on the TCFD - our response to the TCFD and our program of disclosures there - that we want to do more work to really get underneath our profile and what abatement options could look like to really background future decision making in that area. So, we're spending a fair bit of time on that now.

We've also submitted our **first modern slavery statement** for Australia, which is a pretty hefty piece of work and a hefty disclosure. We understand that will be published at the end of the month.

So, that's been supported with mandatory staff training and a lot of other activities, so again another very important focus for our business.

And I'll probably just end by mentioning the **raising of the bar on governance**, as Rohan mentioned. Governance really is the most important thing that you can do well, that you must do well, for a business like ours.

You may have seen that we recently appointed a former Nevada state regulator and, actually, a globally influential and **credentialed gaming regulator AG Burnett** to the Board's Risk and Compliance Committee as an Independent Member.

Our expectation is that AG will bring some real rigor to, or just really add to the rigor and add a new perspective to the deliberations of that committee. So, we're continuing to look for what we can do to bolster and further improve and really innovate in the governance space to keep Aristocrat at the forefront.

There are a few examples. Clearly, it's an enormous, potentially enormous agenda, we are trying very much to continue to focus on what moves the dial in our business and for our stakeholders. And always with a very business-led lens rather than a PR one.

It is a journey, it is iterative, as I mentioned, and we'll continue to do more as we achieve more and build on those foundations.

But we're very pleased with where we are, at the moment, and really looking forward to bringing forward a new round of disclosures on our annual calendar.

Rohan Gallagher: Fantastic, Natalie. Thank you very much, and we do look forward to sharing those achievements, that the team collectively across the globe are pulling together in ESG.

We really feel as though we are the responsible guardians of the gaming industry and we're going to lead accordingly, which is fantastic, and we know we've got the full support of both Trevor and the Board in this particular area.

Now, we'll just touch on a couple of **financial questions**, briefly. They are around number one, SG&A, number two, tax, and number three, liquidity - all exciting stuff.

Sasha (from Evans & Partners) and Peter Marks from Morgan Stanley, welcome to the coverage universe Peter, have asked around an increase in SG&A across the business considering bad debts, provisions, redundancy costs, etc, etc, so you know, the 24 prong, one question, in relation to SG&A.

The key takeaways here around SG&A is that this is a growth company, and we will invest to grow.

Pre-COVID, we had a number of projects for sustainable growth over the longer term.

During COVID, we had to make some decisions to pause and reprioritize those tasks. We mainly took some temporary costs out, which we returned back into the business where we're going to continue to grow in areas such as IT, as well as CX or systems that Trevor touched on earlier, as well as D&D.

If you have a look at our business, we're largely an asset light, fixed-cost business. Those costs centre around talent, innovation and design and development, in particular. We have an unwavering commitment in that particular area. So yes, it will increase our cost base. But we see it more as an investment in the long term.

In terms of the provisions in September 2020, we did say in hindsight, we hope that if we are going to be criticized for anything it's being conservative, that may play out. But what we saw at the moment... in September last year, we had half of the global market closed, including Australia with Victoria in shut down, we had Latin America closed, we had Asia closed, Europe closed, etc.

So, we did make some of those provisions, particularly around doubtful debts. We are hopeful that that they may not continue. But obviously, we will have a rigorous test around our period end around that particular area.

So, we will continue to invest in SG&A. We don't anticipate the quantum of provisions to be as significant as they were in the past, but we do acknowledge that we do face an FX headwind coming through. I'd refer you to the notes of the accounts in the annual report, where one cent is around \$12 million NPATA, so we are up against some headwinds which will offset any benefits from not providing additional provisions.

In terms of **tax**, and now we're going to scratch the surface but we're not going to go too deep, because you probably got the wrong person involved in this response... We had a question from **Rohan Sundrum from MST Marquee and David Fabris from Macquarie** around, you know, the potential tax increases in America.

Yes, we saw a change in government, yes, we saw the Democrats considering talking about an increase in corporate tax from 21% to 28%. That sort of settled down, although we do understand that there's more stimulus and there's potential for that effective tax rate to go up over time.

America is a very significant part of our business. It is around 70% of both Gaming and Digital in a normal market, so if you saw an effective tax rate increase, all things being equal, you would see a rise in our effective tax rate on a pro rata, on a weighted average basis.

However, what I would refer you to is the notes to the accounts, notes 1.4, where we have about a billion dollars in deferred tax assets. In the event of an effective tax rate increase you would see the value of those assets go up, to offset to a large degree.

The bottom line is that we may see an effective tax rate increase over the longer term, but that would be mitigated by the access to those deferred tax assets.

Finally, in regards to liquidity, liquidity was a key platform as part of the COVID response. And we wanted to make sure that we could turn the lights on, we wanted to be there for our people, we

wanted to be there for our suppliers. Now, some companies took the path of raising equity and permanently diluting shareholders, we took the approach of temporarily raising debt.

We increased our revolving credit facilities, we also took out an incremental term loan of around US\$500 million. The only downside to that is that we had to draw that cash down, and so you know, putting that money to work has been challenging but it is reflected in that Outlook Statement, around the effective interest expense of around 5% throughout FY21.

So, it's a great problem for us to have, it's something that we will work through over time, when we feel ready, but that's something that's work in progress for the broader team.

In the event of no other questions, I'll hand over to Trevor for a bit of a wrap up from his perspective on how things are performing in the first half of this year to date, thanks Trevor.

Trevor Croker: Thanks Rohan. And thanks for your time, I can probably put it into three or four buckets.

First of all, I'm very impressed and very happy with the real traction, sustainable traction, that the business has achieved through this period of time.

Now, we thought we were going to be achieving certain things and we are certainly ahead of those expectations, largely driven by a clear purpose and strategy, and excellent execution across all the organization. So, from that point of view, we are getting real sustainable traction which it is ahead of my expectations.

If I then think about the second part, is we are now really well positioned for growth as the industry starts to rebound. The question about what's going to happen as people start to travel and casinos start to reopen, etc, etc.

Aristocrat's well positioned, not just from a product portfolio, but from a **customer relationships** point of view, from the ability to invest, and support our customers to reopen and grow. And our digital business with the momentum that's still continuing to be there for RAID and also building on EverMerge.

So, I feel that the business is actually well and truly positioned to take advantage of the growth opportunity is going to come as people start to re-normalize their lives post this period of time.

The third part is **diversification**. We talked about a couple of times, but if you think about what diversification has done for Aristocrat through this period of time, it's strengthened our company, it's made us a better company and it's given us a lot more optionality than we would have had if we had been a pure play gaming business.

To have a scale Digital business and a scale Gaming business now gives us a lot of options, both to reinvest in what we've got, to continue to build in our financial strength, or to grow M&A in either of those businesses or other adjacencies that we want to go for.

I think to Natalie's point, **governance** is still such an important part of a good organization. Good organizations have good governance and governance can be an enabler. People will often see governance and these regulatory and risky aspects as a slowing down of an organization.

We see our **social right to operate as a very important part of who we are as a company**. And we're building a very strong, and continuing to build a very strong, culture around governance and leadership of that. As I said earlier, we want to be a leader in the industry and being a leader in the industry means you lead in all aspects of the industry.

And then, finally I guess I'll just come back to where I sit on this whole thing and, I've said it a couple times but it's no more apparent to me today than ever before, as **the next 10 years at Aristocrat are going to be better than the last 10 years.**

I can point to so many small things that cumulatively give me that confidence, but you only have to go back a week and pull up the Eilers surveys and look at **our game performance and share of games**, look at the **cabinet performance**. You then look at how the digital business is actually going in building momentum.

This business is poised for continuous and strong growth for the next decade and I am more confident now than I've ever been about the ability to continue to grow this business.

It's not just a one year. We build this business for a long-term growth, this is not about just making a '21 number, or a '22 number, we believe we can continue to grow this business for a long period of time.

That is what guides all of our investment decisions and our strategy around how do we continue to build long term sustainable growth. So, I am even more bullish as I sit here today about the future of Aristocrat for the next 10 years.

Rohan Gallagher: Outstanding, great wrap up. We do have two live questions, one on Gaming and one on Digital. Conscious of time, if I refer to yourself first Mitch, **Larry Gandler**, our friend Larry from **Credit Suisse** in Melbourne, asks a clarification around gaming operations, are some of the for-sale products now being leased in the US?

Mitchell Bowen: So, Larry, I would think about that as, are some of the for-sale products now being leased? Yes, but more operating leases. So, they're starting to minimize their upfront capital and take a fee per day on content versus buying the whole thing outright to kind of maximize their optionality. So yes, but it's not a huge number at this point.

Rohan Gallagher: Okay fantastic. And final question on Digital for Trevor from Sasha from Evans & Partners. Can you give an indication of how **PC bookings for RAID** are tracking?

Trevor Croker: Up. Sasha, they continue to grow every month and they've grown off a very small number, and is it is a small number to be honest with you. But the percentage growth is extremely positive and very satisfying to see them continuing growing every month and we're seeing month on month compounding growth in the Plarium Play platform.

As I said, it's only a very small number of the moment. It started off from zero about 15, 16 months ago, but it is growing and it's growing at a very fast rate.

And I don't know if it'll ever be as big as people think platforms can be, but certainly it's a nice accretive part to our business and we're learning a lot about how to distribute and present product in a PC environment. So, very happy with the growth rates on that

Rohan Gallagher: Fantastic, thank you, Trevor, and thank you for all those questions and for all those people who have registered and given up your time to invest in Aristocrat.

It would be remiss of me not to thank a couple of people behind the scenes, including Claire, Linda and Francis for their support, we greatly appreciate it. It is a collaborative team effort here at Aristocrat, so we really appreciate it.

Always welcome to receive "constructive criticism", advice or guidance in terms of whether this is an effective use of your time and where we can improve the process on a go forward basis.

But in the meantime, I would just like to close out by thanking everybody for your time today and for those people traveling locally, travel safe. We look forward to talking to you at our half year results on Monday May 24. And with that, I would like to close the meeting.

Thank you very much, have a great day.

Trevor Croker: Thanks everybody, thank you.