



UPDATE ON COVID-19 RESPONSE

Sydney, 27 April 2020

Aristocrat Leisure Limited (ASX: ALL) today announced a further update on the steps it is taking to mitigate the impacts of the COVID-19 pandemic on its business.

Key Points:

- The Group's first priority remains the health and wellbeing of staff, families, customers and suppliers. Over 99% of Aristocrat's global workforce is being supported to work from home.
- Almost all of Aristocrat's land-based customers globally have suspended operations since mid-March. Re-openings are expected to be phased, with a gradual ramp up in patronage.
- Aristocrat continues to implement a comprehensive COVID-19 response, focused on protecting its strategic advantages and positioning the land-based business to respond quickly as demand returns.
- Aristocrat's balance sheet remains strong, with over \$1 billion in available liquidity.
- Significant operational steps are being taken to drive savings and optimise cash reserves.
- Suspension of FY2020 Interim dividend.
- Aristocrat's Digital business continues to perform strongly, with higher bookings and player engagement evident across most of the portfolio.

Impact on revenue

Land based operations have historically delivered the majority of Aristocrat's Group revenues, and accounted for approximately 60% of total Group revenue over the financial year ended 30 September 2019. Land based revenue primarily comprises a mix of gaming operations and outright sales, with the former based on a daily fee model and the latter requiring operators to expend capital to purchase product. For context, at 30 September 2019, Aristocrat had an installed base of 25,220 Class II and 22,998 Class III gaming machines across the North American market with a combined average fee per day of US\$50.46. Over the financial year ended 30 September 2019, Aristocrat sold 37,863 units in global outright sales.

Since mid-March 2020, almost all of Aristocrat's land-based customers globally have suspended operations. While highly uncertain, at this stage Aristocrat anticipates that venue reopenings will take place on a phased basis, with a gradual ramping up of gaming floors in line with improvements in consumer confidence and the wind back of social distancing and travel limitations over time.

Over the financial year ended 30 September 2019, Aristocrat derived approximately 40% of total Group revenues from the digital business. This business has continued to perform strongly over recent months, with higher bookings and player engagement evident across most of the portfolio.

In addition to maximising opportunities within digital at this time, Aristocrat continues to focus on all areas within its control in responding to the crisis, including executing comprehensive risk management and mitigation plans, reducing costs, and further strengthening liquidity and its balance sheet position as outlined below.

Cost reduction measures

A range of prudent Group-wide cost reduction initiatives has been taken, including the elimination of discretionary, consultant and contractor spend in line with revised priorities as well as a general

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hiring freeze. With over 70% of Aristocrat's operating expenses relating to people costs, significant workforce changes are planned to take effect across approximately 4,000 staff (representing all non-Digital teams) from 1 May 2020, as follows:

- Around 1,000 staff will be stood down until the end of June 2020, principally in land-based sales, service and manufacturing operations, reflecting venue closures and uncertain re-opening timeframes and
- Around 200 roles will be removed permanently from the business, reflecting changed priorities.

In addition, until the end of the September, 2020 financial year:

- Approximately 200 full time roles will move to part time;
- Cuts of 10 – 20% to base salaries will be applied to around 1,500 staff;
- Fees payable to Aristocrat's Board of Directors will be reduced by 20%; and
- The base salary of Aristocrat's Managing Director & CEO, Trevor Croker, will be reduced by 30%.

In line with Aristocrat's values, the Group is supporting all affected employees, including with appropriate transition assistance and separation benefits, access to paid leave and preserving health coverage for US staff (in the case of stand-downs), counselling and assistance accessing government support where available.

Aristocrat is eligible to access the JobKeeper employment subsidy program in Australia, and will apply this benefit to protect as many jobs as possible and position the business to respond quickly as land-based demand returns. Aristocrat is working to determine its eligibility for other government programs and stimulus measures in the US, and elsewhere across its global operations.

In total, these cost reduction initiatives are expected to deliver approximately \$100 million in identified savings over the remainder of the financial year ending 30 September 2020.

Liquidity and balance sheet strength

Aristocrat has in excess of \$1 billion of liquidity. This is comprised of cash from operations and the draw down of the Group's \$150 million revolving credit facility together with an additional \$136 million headroom available from a successful upsizing of this facility on 24 April 2020.

The Group is well positioned to preserve its strong balance sheet metrics during this period, including through the scaling back of capital expenditure. For context, gaming operations installed base growth is the business' largest driver of capital expenditure, accounting for more than half of the \$317 million spent in the financial year ended 30 September 2019.

In addition, to further assist liquidity and position the Group for post COVID-19 recovery, Directors have decided to suspend its progressive dividend policy and do not intend to declare an interim dividend as part of the Group's half year results scheduled to be released on 21 May 2020.

The Group's outstanding fundamentals continue to underpin its recovery plans and long-term confidence. Aristocrat has a conservatively geared balance sheet, with a net debt to EBITDA ratio of 1.4x, as at 30 September 2019. The company has no near-term debt refinancing requirements, with its \$286m revolving credit facility maturing in July 2024 and US\$1.85b term loan facility maturing October 2024. The underlying credit agreements are covenant light in nature, providing the Group with significant financial flexibility.

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Aristocrat CEO & Managing Director, Trevor Croker, said:

“We are very sensitive to the impact of necessary cost reduction measures on our people, and will work hard to support them through this difficult time consistent with our ‘people first’ approach. We believe that these changes will help maximise opportunities for Aristocrat’s dedicated and talented people over the longer term. We will continue to do everything we can to restore momentum in our land-based business as quickly as possible recognising the importance of continuing to develop and deliver game content during this period.”

“These changes, and other prudent steps we are taking as part of our COVID-19 response, will deliver important operational and financial flexibility, focus and efficiency through this period of uncertainty.”

“We are highly focused on protecting and leveraging our strategic advantages, including industry-leading Design & Development and effective User Acquisition investment, which Aristocrat will continue to prioritise. In land-based, we will ensure the business is ideally poised to partner our customers and grow as conditions improve, while in digital we remain fully focused on executing our growth plans and maximising opportunities at this time” Mr Croker concluded.

Further updates are expected to be provided as part of the Group’s half year results release on 21 May 2020.

Further Information:

Financial: Rohan Gallagher
General Manager, Investor Relations & Treasury
Tel: (612) 8216 3902; Mobile: (61) 421 051 416
rohan.gallagher@aristocrat.com

Reuben Rattos
Group Treasurer & Investor Relations Manager
Tel: (612) 9013 6407; Mobile: (61) 418 212 852
reuben.rattos@aristocrat.com

Media: Natalie Toohey
Mobile: (61) 409 239 459

Authorised for lodgement by:

Richard Bell
Company Secretary

Aristocrat Leisure Limited (ASX: ALL) is a leading gaming provider and games publisher, with more than 6,400 employees located in offices around the world. Aristocrat offers a diverse range of products and services including electronic gaming machines, casino management systems, and digital social games. The Company’s land-based products are approved for use in more than 300 licensed jurisdictions and are available in over 80 countries. For further information visit the Group’s website at www.aristocrat.com.

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