



20 February 2020

Company Announcements Platform  
Australian Securities Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**Aristocrat Leisure Limited – 2020 Annual General Meeting**

In accordance with Listing Rule 3.13.3, please find attached the CEO and Managing Director's address, including trading outlook.

Authorised for lodgement by:

Richard Bell

Company Secretary

**ARISTOCRAT LEISURE LIMITED**  
**2020 ANNUAL GENERAL MEETING**

**CEO ADDRESS**

Thank you Neil, and welcome everybody – thank you for joining us today.

Today I will share a summary of our performance over the 2019 fiscal year, highlighting our continued growth and reiterating our expectations for the 2020 full year.

Turning first to our 2019 performance ...

As Neil referenced, and as we shared at our full year results presentation in November, Aristocrat posted a record profit in fiscal 2019. NPATA grew 23% in reported terms and 14% in constant currency, compared to the prior twelve months to 30 September 2018. This result further extended our track record of share taking and organic growth, and was driven by strong investment in talent, game content, user acquisition and retention, along with increasingly broad and competitive product portfolios.

The business' earnings base continued to diversify in 2019, with digital operations delivering over 40% of total Group revenue during the year and Land-based gaming operations and outright sales each contributing around another 30% of total Group revenue. At the same time, we reached a significant threshold, with more than two-thirds of total Group revenue in fiscal 2019 being recurring in nature, rather than one-off. Continued improvement in earnings diversity and stability is a feature of Aristocrat's strategy, and we made significant strides in this regard over the course of 2019.

Operating cash flow of over one billion dollars was also generated in the period, and net gearing reduced to 1.4 times at 30 September 2019, down from 1.7 times at the close of the prior fiscal year. Our strong and flexible balance sheet means we continue to enjoy full optionality, including to invest organically and non-organically to accelerate our strategy where prudent.

Operational highlights of the year included a further lift in both share and yield in the land-based North Americas Gaming Operations business, and further share growth across key global outright sales markets. In digital, the successful launch and scaling of RAID: Shadow Legends was an important milestone. This was our first foray into the high-growth collectible RPG genre, and the launch was significant not only from a performance and portfolio perspective, but also because of the insights gained, which we will apply to future launches and genre entry strategies.

In our land-based business, strong D&D investment ensures we can continue to take share today, unlock adjacent opportunities tomorrow and build new growth engines and optionality for the longer term. Over the 2019 full year, Aristocrat lifted D&D investment 21% in absolute terms compared to 2018, to a fresh record of just over \$500 million. This equates to 11.4% of revenue, which is aligned to the prior fiscal year and comfortably within the 11 – 12% range that the business has allocated across recent years.

At the same time, we invested strongly in User Acquisition or UA to support growth in our digital business. UA investment of \$328m US dollars represented 26.2% of revenue. With the benefit of Plarium's proprietary Go Game tool, and collaboration across the digital businesses, we also improved the quality and flexibility of UA

allocation during 2019. As we reported in November, we now have a consistent and data-led approach, with a strong focus on returns and a readiness to invest significantly – or to pull back investment – wherever prudent.

We also made further strides in implementing our digital growth strategy during the year. The pillars of outstanding game design talent, core digital skillsets, sharing of best practices, strong and disciplined marketing investment and operational rigour have many parallels to our proven approach in land based. At its heart, our digital strategy focuses on our competitiveness and the things we can control to target sustained, above market growth. The appointment of Mike Lang as CEO Digital in November 2019 was another important milestone in this regard.

Throughout the year, we maintained a firm commitment to investing in innovation, and leveraging our growing scale and capability to lift efficiency and create capacity for sustainable growth. Throughout fiscal 2019, we also aggressively defended our IP assets across key markets, and will continue to take a proactive approach to protecting these core assets going forward.

Turning now to operational performance in key parts of the business in more detail, beginning with our land-based business ...

During 2019, we brought Aristocrat's global land-based business under the leadership of Mitchell Bowen, CEO Land-Based and Chief Transformation Officer. This change is already unlocking benefits from closer operational and strategic alignment.

In local currency, Americas' revenue increased over 14% and profit lifted more than 15% to almost \$1.4 billion and over \$750m respectively during fiscal 2019 compared to the previous year's result.

North America EBITA growth was driven by another outstanding performance in gaming operations, with 9% growth to 48,000 units for the year, and a modest lift in our combined average fee per day, driven by excellent game performance and floor optimisation strategies. Performance was fuelled by continued penetration of the market-leading titles across top performing cabinets, including the successful launch of the EdgeX and MarsX cabinets during the year.

In CIII outright sales, revenue increased 22% and platforms increased 30% compared to 2018. We achieved further share growth in a competitive market off the back of a stronger and broader product portfolio. Penetration of attractive North American adjacencies, particularly the VLT and Washington CDS markets, supported this result.

In Class II gaming operations, placements grew almost 4% due to penetration of the Ovation video product, and the maintenance of our mechanical reel footprint.

Aristocrat continued to receive outstanding customer feedback in North America, consistently ranking as the leading gaming equipment supplier across a number of key casino customer surveys. And for the sixth year in a row, Aristocrat was named top land-based supplier at the G2E trade show in Las Vegas.

Similarly, a record profit result in ANZ demonstrated our success in maintaining our market-leading share position, even as market churn returned to more typical levels over the course of fiscal 2019. ANZ profit increased almost 3% and revenue increased fractionally to over \$213 million and \$455 million respectively, compared to 2018.

Average Selling Price improved slightly, driven by positive mix and sales of the Helix+ and Helix XT family of cabinets. Segment profit margin increased 120 basis points to 46.8%, up from 45.6% in the prior fiscal full year. This was driven by a favourable commercial mix towards recurring revenue. We continued to focus on customer-centric improvements to systems, processes and culture in ANZ, reflecting our deep commitment to this market.

International Class III revenue and profit decreased 7% and 13% respectively to \$195 million and \$90 million compared to the fiscal 2018 result. A decline in Asia Pacific was partly offset by further growth in EMEA, with the recurring revenue installed base in this region growing almost 23% over the 12 months to 30 September 2019. In Asia Pacific, Helix + continued to be the primary for-sale cabinet, with key titles propelling strong underlying performance across the region.

I'll now turn to share operational highlights from our Digital business ...

On a combined basis, our digital businesses generated over \$1.2 billion in bookings during fiscal 2019, delivering a 12% lift in segment profit to \$370m.

Revenue grew 24% off the back of the full period impact of the Big Fish and Plarium acquisitions, together with the scaling of key titles such as Lightning Link, continued performance from Jackpot Magic Slots, RAID and the contribution of new games.

Segment margin moderated to 29.6% in line with expectations, reflecting growth in lower- margin social casual games, targeted investment in the development of new features and Live Ops in social casino and increased marketing investment behind the successful global launch and scaling of RAID.

As I mentioned, we prioritised resources and increased the efficiency of our investment in UA by implementing a common platform management tool during fiscal 2019. We also made more use of low-cost development jurisdictions, and applied proven content, mechanics and features across the portfolio – particularly in social casino.

The casual games pipeline was refocused towards segments where we have strong capabilities, while we also broadened our portfolio and experience with the successful launch of RAID as previously noted, and the launch of Toy Story Drop! in partnership with Disney and Pixar.

In addition to new game launches, established and evergreen titles were refreshed with new content, Live Ops and features to enhance game experience and profitability.

Total portfolio strength and diversity also improved during the 2019 fiscal year, with a close to even proforma split in bookings contribution between social casino and social casual game genres, while overall bookings

grew. The number of game titles delivering more than \$50m US in bookings also grew, with the contribution of RAID and further growth in Lightning Link.

Total Daily Active Users (or DAUs) at 30 September 2019 moderated to 7.5 million, from 8.1 million in the PCP, however Average Bookings per Daily Active User (or ABPDAU) increased fractionally from 40 to 41 cents over the same period, reflecting our focus on DAU quality and building long-term engagement.

Before turning now to outlook for the 2020 fiscal year, I'd like to comment briefly on the Covid 19 virus issue. Aristocrat has no direct operations in mainland China, and relatively small exposure to the Asian region generally. However, we have been closely monitoring developments with a focus on our people, customers and supply chain. We have temporarily suspended travel in the region, and are supporting our staff in Macau and Hong Kong. We are also proactively monitoring and managing potential supply chain impacts. At this stage we do not foresee any material adverse impacts on our business, but we will keep the market updated as appropriate.

In terms of outlook, we reiterate the guidance provided in November 2019. That is, we expect continued growth over the 2020 fiscal full year driven by the following:

- In Land-based Outright Sales, we anticipate further incremental gains in attractive North American adjacencies. We expect to maintain market-leading share positions across key for sale segments globally;
- In Land-based Gaming Operations, we expect continued expansion across our total Gaming Operations installed base, leveraging our broadening portfolio, while maintaining market-leading average fee per day performance across the overall combined installed base;
- Across Digital, we anticipate further growth in Digital bookings supported by scaling of recently released new games. User Acquisition spend will continue to be allocated dynamically based on game performance and is expected to remain between 25% to 28% of overall Digital revenues;
- We expect the changes in our group structure to start to generate cash tax savings which will further enhance the Group's ability to invest to sustain our growth momentum and create value for shareholders;
- We anticipate continuing to lift D&D investment across our Land-based and Digital portfolio - in absolute dollar terms - while remaining broadly in line with the prior years, from a percentage of revenue perspective and
- We expect a moderate increase in SG&A across the business, as we invest in digital, data and transformation skillsets for growth.

In summary, fiscal 2019 was another year of high-quality profit growth at Aristocrat consistent with our longer-term growth strategy. Operating performance drove strong free cash flow generation, which was in turn invested to fund further growth, pay progressive dividend increases and provide significant balance sheet optionality for the future.

Before concluding, I would like to make a brief mention of the terrible ongoing drought and fires that have affected so many in the Australian community over recent months.

Last November, Aristocrat donated \$250,000 to bushfire and drought relief in partnership with Clubs NSW – a key customer group that represents over 1200 local clubs in our largest Australian market. Aristocrat employees also donated funds to Foodbank and the Country Women’s Association, with Aristocrat making a further contribution to both charities in recognition of our people’s generosity. Our Australian business has taken a range of steps to support affected staff members, including paid leave to fight fires and the provision of counselling services, as well as providing support to customers.

We all recognise that recovery will be a long term process, and our business is committed to continuing to contribute to this effort as part of this community.

As the Chairman mentioned, our business is increasingly focused on our long term sustainability. During 2019, we leveraged our internal innovation platform – thinkBIGGER – to unearth a number of practical ideas to lessen our environmental footprint. We also stepped up education and action across a range of issues material to our business, such as promoting responsible gameplay and improving diversity and inclusion. Striving to be a leader in responsible gameplay is something that we regard as a core obligation of our business.

During the year, we launched a refreshed Group-wide responsible gameplay policy to guide our efforts, and made early progress on a range of initiatives. We continued to engage with research and treatment organisations, policy makers, regulators, customers and other stakeholders to learn more about these complex issues and further improve what we do.

The passion our people have on these issues is reflected in the employee and business-led nature of our sustainability effort at Aristocrat, which I believe positions us well to continue our journey in the years ahead.

This also brings me to our ongoing focus on our people during fiscal 2019. Aristocrat expanded our efforts to recruit more diverse and first-class talent – including through strengthening our graduate intake program in major markets. We also made further investments in building leadership capability and launched a range of initiatives to improve our employee experience. I do want to acknowledge our exceptional team of over 6,400 Aristocrat people around the world, as well as the strong support of the Board, which has again been key to the progress and performance delivered over the financial year.

Before closing, I also want to take the opportunity to acknowledge our customers, whose partnership we will never take for granted. We’re highly focused on bringing more value, options and performance to our customers, and to players, and to putting their perspectives at the heart of everything we do.

Finally, thank you to our shareholders. I want to assure you that everyone at Aristocrat is fully focused on delivering the high-quality growth and sustained performance you rightly expect from us.

Thank you.