



## **ARISTOCRAT ANNOUNCES STRATEGIC ACQUISITION OF LEADING GAMING OPERATIONS BUSINESS VGT FOR US\$1,283 MILLION<sup>1</sup>**

**Sydney, Monday, 7 July 2014**

### **Highlights**

- Increased scale in the North American gaming operations segment with a step change from approximately 8,200 units installed to 28,400
- Highly complementary product suite across Class III, Casino Management Systems and Class II
- Strong cash flows
- Operational opportunities from product synergies and some potential cost synergies
- Cultural alignment with strong customer service and high performance focus across both organisations
- Low-mid teens EPS accretion (pre acquisition related amortisation)

### **Overview**

Aristocrat Leisure Limited (ASX: ALL) today announced that it has entered into an agreement to acquire North American based gaming machine provider Video Gaming Technologies, Inc. (VGT) for total consideration of approximately US\$1,283 million in cash, subject to certain adjustments<sup>1</sup> and regulatory approvals.

Privately owned VGT is a leading provider of predominately Class II gaming machines for the leased tribal gaming market in North America. VGT is headquartered in Tennessee, USA with an installed base of approximately 20,200 leased machines and 610 staff as at 31 December 2013. VGT has the largest Class II platform of installed gaming machines in North America. VGT manufactures both mechanical and video Class II gaming machines.

The majority of VGT's installed base is located in the Oklahoma tribal gaming market, which accounts for approximately 50% of the total installed base of Class II gaming machines in the US. VGT has also expanded into the Washington and California markets.

VGT's success in the North American tribal gaming market is underpinned by a quality library of well recognised and strong performing game titles such as Hot Red Ruby<sup>®</sup>, Lucky Ducky<sup>®</sup> and Mr. Money Bags<sup>®</sup>.

VGT has long-term relationships with the major tribal casino operators in its key regions of operation. Many relationships extend more than 10 years from the time that VGT released its first Class II gaming product in 2002. VGT supports its customers via a highly qualified field operations team that services machines, on-site, at customer venues.

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<sup>1</sup> The purchase price is subject to customary completion adjustments, an adjustment for gaming machine placement fees incurred prior to completion and certain tax indemnification and deferred payments relating to a tax election

For the year ending December 2013 VGT generated revenue of US\$236 million, adjusted EBITDA of US\$157 million, adjusted EBIT of US\$119 million and adjusted operating cash flow less capex of US\$110 million. 100% of VGT's revenues are recurring and underpinned by contracts with tribal gaming operators.

The acquisition of VGT is expected to deliver EPS accretion (pre amortisation of acquired intangibles, synergies and transaction costs) of low-mid teens on a pro forma basis as if the transaction occurred at the start of FY2014.

The transaction is subject to required regulatory and other approvals and customary closing conditions. The transaction is expected to complete by the end of the first half of FY15.

## **Rationale**

Chief Executive Officer and Managing Director of Aristocrat, Jamie Odell said "With the turnaround in our Class III business well established we are now strongly positioned to undertake this transformational acquisition."

"The strategic and financial benefits are compelling for Aristocrat shareholders. VGT has a complementary product offering and provides a unique opportunity to accelerate our growth in the US recurring revenue segment, which has for some time been an important strategic objective of Aristocrat."

"This combination also offers exciting growth opportunities for VGT by leveraging premium Aristocrat games and systems products, as well as national distribution opportunities for VGT's Class II products."

"The strong accretion and free cash flows expected from this transaction will not only transform the scale of our gaming operations business today, but will also preserve Aristocrat's options to pursue acquisitions in the future in key growth segments – including digital."

"We look forward to supporting the continued success of VGT's customers and building on the long term relationships which VGT has established" Mr Odell concluded.

Recognising VGT's success, post acquisition the business will run as a division of Aristocrat, focused on continuing and increasing its success in the Class II tribal gaming operations market and partnering even more closely with its customers and other key stakeholders.

Founder, CEO and principal owner of VGT, Jon Yarbrough said "I am very proud of the success we've achieved in the past 23 years. The hard work and support of VGT's associates, and of course the loyalty of our customers, have positioned VGT to be a leader in Class II gaming."

"Aristocrat is an ideal partner for us given our shared values of quality product development, excellent customer service and commitment to responsible gaming."

"VGT's customers will continue to benefit from our best-in-class service offering, and now they can also look forward to a partner with the development capability and scale to develop exciting new titles, ultimately delivering even stronger returns on the casino floor" Mr Yarbrough concluded.

## **Acquisition funding**

Aristocrat will fund the acquisition and refinance its existing debt facilities through new, fully committed debt facilities and an underwritten, institutional placement of A\$375 million. The new debt facilities will be comprised of a US\$1,300 million 7 year Term Loan (Term Loan B) and A\$100 million 5 year Revolving facility.

The US Term Loan B market offers long term, flexible financing at a time of historically low interest rates.

## **Full Year 2014 Guidance**

Aristocrat expects solid NPAT growth over the 2014 full year, excluding one-off transaction related expenses.

New technical standards in Macau have been issued relatively late in the half, with timing of the resulting benefits unclear. Contribution from Japan has been risk-weighted, with the major game Black Lagoon 2™ to be released either in the last quarter of fiscal 2014, or the first quarter of fiscal 2015, pending regulatory approval. There is upside to 2014 full year expectations should Macau churn improve and the Japan game be released during the final quarter.

Aristocrat continues to expect improving operational performance across key markets and segments, reflecting the carry-forward of a higher gaming operations installed base, strengthening fee per day and the impact of a full pipeline of compelling new game content.

In line with our strategy, we will incur an increased level of D&D investment in the second half. Our Australian dollar to US exchange rate assumption for the full year remains at 91 cents.

VGT has demonstrated strong operational performance so far in 2014, with year to date performance ahead of the prior corresponding year.

Further information regarding the Acquisition is contained in the investor presentation released to the ASX today.

UBS is acting as the sole financial adviser to Aristocrat, and Allens and Covington & Burling LLP are its legal advisors.

**ENDS**

### **Important Notice**

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**Future performance**

This press release contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "guidance", "will", "predict", and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this press release are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, indications or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This press release contains such statements that are subject to risk factors associated with the gaming industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person including Aristocrat. In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this press release will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. The forward-looking statements in this press release speak only as of the date of this press release. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, Aristocrat disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this press release to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this press release will under any circumstances create an implication that there has been no change in the affairs of Aristocrat since the date of this press release.

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**About Aristocrat**

Aristocrat Leisure Limited (ASX: ALL) is a leading global provider of gaming solutions. The Company is licensed by over 200 regulators and its products and services are available in over 90 countries around the world. Aristocrat offers a diverse range of products and services including electronic gaming machines, video lottery terminal systems and casino management systems. The Group also operates within the online social gaming and real money wager markets. For further information visit the Group's website at [www.aristocratgaming.com](http://www.aristocratgaming.com).

**About VGT**

Video Game Technologies, Inc. (VGT) is a leading provider of Class II design and development. The business was founded in 1991 by current CEO and founder, Jon Yarbrough and is headquartered in Tennessee, United States. VGT predominantly services the North American tribal leased gaming market and has customers located in California, Illinois, Kansas, Louisiana, Mexico, Montana, Oklahoma, Texas and Washington. For further information visit the Company's website at [www.vgt.net](http://www.vgt.net)