



26 February 2021

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

Dear Sir/Madam

Aristocrat Leisure Limited – 2021 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
2021 ANNUAL GENERAL MEETING**

CEO'S ADDRESS

26 FEBRUARY 2021

Thank you Neil, and welcome everybody – thank you for joining us today. In the context of this uniquely challenging year, I'll begin by speaking to our COVID response and our refreshed growth strategy. I will then step through a summary of our results for 2020, before addressing outlook for the balance of the 2021 fiscal year.

COVID response summary

Before I start however I would like to reiterate Neil's comments about our people.

As we stand here today, we're more than a year into the pandemic and the large majority of our people around the world continue to work from home, often under arduous restrictions. They're home schooling children and looking after family, while working as hard as ever as our business continues to grow and transform at pace. It's never been more clear to me that our people are the heart of our business; our most important responsibility and our biggest asset. So I would add my thanks and respect to our whole team – thank you.

I'm also particularly proud that Aristocrat achieved employee engagement scores above gaming and technology company benchmarks throughout 2020. This not only speaks to the calibre of our people, but also reflects the many steps Aristocrat took through the crisis to safeguard wellbeing, energise our culture and express our 'people first' commitment. The safety and wellbeing of our people, customers, suppliers and other stakeholders was – and will continue to be - our first priority.

I'd also like to take moment to acknowledge and thank the Chairman, and all Board members, for their steadfast encouragement and guidance across the year. While we always benefit from having an active and engaged Board, it's been particularly critical over the last year or so, and we are thankful for that support.

While our financial results for fiscal 20 were clearly impacted by the pandemic, they also highlighted our strengths, and the effectiveness of our business' response. As always, we focused on what we could control, to extend our strategic advantages and position the business for future growth.

As shareholders will know, Aristocrat has accelerated our diversification over the past several years, by entering more adjacent markets, segments and game genres. We have also driven scale in digital, adding a material B2C operational engine to the Group and delivering further diversity to a revenue base that was almost 80% recurring rather than one-off in nature as at 30 September 2020. The benefits of this diversification are evident in our results for the period, during which we maintained revenue in excess of \$4bn at a Group level, while protecting the business and maintaining investment behind our strategic differentiators for the future as Neil referenced.

In particular, we extended our commitment to industry-leading Design & Development, while also maintaining strong investment in Digital games and User Acquisition and continuing to commit capital to further grow our gaming operations footprint. We took a strategic decision to maintain industry-leading D&D investment through the period, and position to support our Gaming customers to emerge strongly from the pandemic. Operationally, we experienced no loss of momentum across our product organization, with high productivity and full focus on our recalibrated priorities.

We also invested more in our product pipeline and strategic capabilities, including customer experience, cyber security and data capability among other priorities.

At the same time, we took the opportunity presented by the crisis to improve.

Culturally, Aristocrat pivoted to an explicitly 'people first' focus, energising our teams and offering more support, flexibility and recognition to our people.

In addition, we made a number of difficult but important changes to further support our liquidity and reduce costs. We chose to reinvest a portion of the saving in operating expenses identified in the second half behind growth drivers such as customer service, product development and user acquisition.

In addition, we sharpened our operational priorities in Gaming and focused on supporting customers with higher levels of service, flexibility and tailored commercial options to help them recover as quickly as possible. Furloughed staff were brought back to work early, to help customers prepare to re-open safely and underline our commitment to being partners of choice to our customers.

Aristocrat's long-term focus on lifting our competitiveness through outstanding people and product positioned us to benefit in Digital, and in Gaming as demand began to return through the latter half of the 2020 fiscal year.

This is evident in the share gains achieved by our Gaming business in key markets over the year, along with outstanding customer feedback and industry data on portfolio performance – particularly in our largest markets in North America, and in Australia. Our Digital business also took share across core genres, reflecting our investments in improving the Product Madness portfolio and scaling the world-class title RAID: Shadow Legends along with broader portfolio performance and COVID related tailwinds.

Finally, we took the opportunity to review our growth strategy during 2020, in the context of COVID.

Aristocrat's strategy aims to deliver high quality, sustainable profit growth by continuously improving the quality and breadth of our product portfolios. We achieve this by investing in great people, product and capability, building on foundations of strong culture, governance and financial rigour.

The review confirmed the soundness of our strategy, and its ongoing relevance in a COVID impacted world. We have however expanded and re-ordered some priorities, and in some cases we have been encouraged to move faster in executing our plans. For example, we're placing more emphasis on upskilling leaders and broadening new, strategic capabilities. We continue to attract world class people right across our organisation, as we compete hard in the war for talent, and significantly boost capability in the critical teams and skillsets that will drive our growth. We're also bringing a deeper focus on people and embracing opportunities presented by the changing nature of work.

We're also investing more in Customer Experience leadership – or CX as we describe it. CX is all about unlocking new value streams by delivering customers and Gaming patrons connected products and services – in line with their changing needs and underlying consumer trends. During the reporting period, our new CX team successfully launched our first mobile loyalty products for a major US customer, while also developing and delivering cashless and cleanliness innovations in the North American market. In the context of COVID, and with the encouragement of our customers, we will continue to significantly escalate our focus on convergence products and services as part of our strategy.

We remain ready to invest to accelerate our strategy. During fiscal 2020, we concluded two deals to acquire access to more world-class game development capability in Digital. Investments in the proven game studios Neskin and Proteus signaled our intent.

As Neil referenced, we have the balance sheet strength to support bold moves as well as incremental ones, and to take advantage of opportunities and disruption. We also have a track record of leveraging M&A to accelerate our growth, first into attractive Gaming product segments and more recently to scale in Digital.

These are changes in emphasis, and in some cases priority, but the foundations of our strategy won't change.

Taken as a whole, COVID has helped to confirm our strategic direction as a business, while sharpening our focus and highlighting our priorities. We are pleased to have entered the 2021 financial year fully aligned behind a refreshed growth vision, with updated goals and the confidence to accelerate execution in the period ahead.

I'll now turn to our results for the 2020 fiscal full year in more detail, beginning with Group results...

F20 Results Summary

Normalised profit after tax and before amortisation of acquired intangibles or NPAT-A of \$476.6 million represents a decrease of 47% in reported terms and 49% in constant currency compared to the \$894.4 million delivered in the twelve-month period to 30 September 2019.

Revenue decreased 6% to approximately \$4.1 billion, with COVID impacts on the Gaming business partly offset by strong growth in Digital. Earnings before interest, tax, depreciation and amortisation (or EBITDA) fell around 32% compared to the prior corresponding period (or PCP) to almost \$1.1 billion dollars.

Fully diluted earnings per share before amortisation of acquired intangibles of 74.7 cents represented a 47% decrease compared to the PCP.

Operating cash flow of over \$1 billion was achieved, reflecting a relatively modest decrease of 5.8% compared to the PCP. This demonstrates the business' strong underlying cash flow capabilities enhanced by targeted COVID responses.

Net gearing at period end was 1.4 times, flat on the PCP. This was driven by positive cash flow generation throughout the period. Liquidity was further enhanced by proactive measures, including increasing the Group's revolving credit and Term Loan B facilities, and cancelling the interim dividend.

The underlying operational strength of the business was evident during the period, with a further lift in share and market leading fee per day in the North Americas Gaming Operations segment. Digital performance reflected our success in building the competitiveness of our social casino portfolio through investment in live ops, features and new slot content, as well the momentum of RAID: Shadow Legends and new game launches. Performance also benefited from the tailwind of COVID stay at home mandates.

Over the 2020 full year, D&D investment fell fractionally in absolute terms by \$2.5m to \$498 million. This is a strong result at the top end on the range of 11 – 12% of revenue that the business has allocated across recent years.

At the same time, we invested aggressively in User Acquisition or UA to support growth in Digital at a time of opportunity. UA investment of just under \$450million US dollars represented 28% of segment revenue, up 1.7 percentage points compared to the PCP.

Turning now to more detail about our operational results, beginning with our Gaming business.

Operational Results summary

A relentless focus on people, portfolio competitiveness and customer engagement was the hallmark of our operational response across key Gaming markets and segments during fiscal 2020.

In the Americas, in local currency, revenue decreased around 31% and segment profit fell over 52% to approximately \$935 million and over \$356 million respectively over the reporting period, compared with the PCP. Our Class III premium gaming operations footprint expanded by 5.9% to over 24,300 units at period end, driving further share growth despite market conditions. On a combined and adjusted basis, Aristocrat's average gaming operations fee per day improved 1.1% to over USD 51, driven by portfolio strength and

resilient demand. In CIII outright sales, revenue decreased 46% and volumes reduced 44% compared to the PCP, reflecting COVID impacts.

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. For the second year running, Aristocrat was named top land-based supplier at the Global Gaming Awards, and was the most-awarded supplier overall. The business also won 'Land based Product of the Year' for our *MarsX* cabinet, along with 'Slot of the Year' for *Dollar Storm*. Strong game performance enhanced by new hardware releases also saw Aristocrat claim 14 of the top 25 premium leased games in North America according to a report released by Eilers in September 2020.

In ANZ, in constant currency, revenue decreased 38.5% to \$280.5 million while segment profit decreased 72.5% to \$58.8 million respectively, compared to the PCP. Again, this result reflected challenging market conditions; mainly COVID related, as well as the impact of droughts and fires on customers and the broader economy earlier in the year. The ANZ business sustained its market-leading share performance in financial year 2020, as it focused on providing flexible and responsive service and support to customers to position them for recovery.

International Class III revenue and segment profit decreased around 38% and 66% respectively to \$126 million and \$32 million compared to the PCP, again reflecting the material impacts of COVID related shutdowns, social distancing restrictions and travel restrictions across Asia and EMEA.

Turning now to Digital ...

Digital Results Summary

Over the course of the 2020 fiscal year, we made further significant strides in our Aristocrat Digital operations. Under the leadership of a dedicated Aristocrat Digital executive team, the business focused on pipeline and portfolio growth, maximising bookings performance and continuing to invest in marketing and efficient UA, to scale.

Aristocrat Digital generated over \$1.6 billion in bookings during the reporting period – a 31% increase on the PCP – while revenue increased 29%. The business delivered almost half a billion dollars in segment profit – up almost 34% compared to the twelve months to 30 September 2019, and segment margin increased over 1 percentage point to 30.8% over the full year.

Average Bookings Per Daily Active User or ABPDAU increased almost 44% to 59 cents, with the portfolio benefiting from strong investment in game development, including live ops, features and new slot content in social casino, and continued portfolio diversification. This momentum was supported by marketing investment and the tailwinds associated with COVID related stay at home mandates.

Total DAUs at 30 September 2020 decreased to 6.7 million, from 7.5 million in the PCP, however ABPDAU increased significantly from 41 to 59 cents over the same period, again underlining our progress in focusing on DAU quality and building long-term engagement.

The performance of the Aristocrat Digital business over financial year 2020 underlined its gathering scale, momentum and sophistication, and the excellent progress being made in leveraging best practices across core functions such as insights, data and marketing. It also reflected the building out of core Digital capabilities and focused leadership. The value of this growing B2C engine to our Group was amply demonstrated during the year, and we remain bullish about its potential and broader strategic significance particularly in a post COVID world.

Turning now to outlook...

Based on trading performance to date across our Gaming and Digital operations, Aristocrat reiterates the outlook guidance provided in November 2020. Specifically, we plan for continued growth over the 2021 fiscal full year – reflecting the factors set out on the slide and as articulated in November.

Summary

In summary, fiscal 2020 was a unique and challenging year, but also a year that revealed Aristocrat's strengths and gave us an opportunity to improve and extend our strategic advantages. We've strived to seize that opportunity, and while we cannot be sure of how the pandemic will affect our operating environment in future, we have entered the 2021 financial year with excellent operation momentum, a proven strategy, strong team engagement and belief.

Neil spoke about the step up we're taking in terms of our ESG maturity, and the investments we're making in a number of material areas to improve our business. I wanted to say a few more words about the trial of machine-based responsible gameplay features in Australia that Neil mentioned, to highlight our approach to these issues.

Aristocrat is proud of our track record of investing in the development and testing of machine-based responsible gaming features, beginning with our 'Bluegum' EGM product which was first trialed in 2011. We continue to bring forward options that have the potential to help empower players and support our responsible game play commitments. A second generation of machine-based functionality that we call 'Flexiplay' was trialed in 2019, and has now been approved by regulators in Qld and NSW.

Flexiplay allows players to voluntarily set time limits and quarantine winnings from being played down, via the timer-and piggy bank functions. Flexiplay enabled games have been approved in NSW, ACT and QLD, and we are preparing to place the first of these games in market in the first quarter of this year. Our customers have been very supportive of Flexiplay. We look forward to learning more from the release of Flexiplay, and to applying the lessons to further product-based RG innovations in future.

This is just one example, but it speaks to Aristocrat's approach in this complex area. We seek to lead, we strive to work collaboratively with customers and other stakeholders, and we focus on bringing forward commercially viable options that enhance player empowerment and choice.

We have plenty of work still to do both in responsible gameplay and across our Sustainability agenda, but we are absolutely committed to a path of continuous progress and expanding transparency.

In closing, I want to again highlight the outstandingly talented team we have across the business which, together with our financial strength and broadening capabilities really does give us enormous belief even in these challenging times. We are determined to meet all challenges head on, while cementing our trajectory of sustainable high performance and a people-first culture and putting more distance between us and our competitors.

I will now close by thanking our people, customers, players and of course 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, and I'll now pass back to Neil.

FULL YEAR TRADING OUTLOOK

Assuming no material change in economic and industry conditions, Aristocrat plans for growth over the 2021 full fiscal year, reflecting:

- Maintained or enhanced market-leading positions in Gaming Operations, measured by the number of machines that are operating and game performance
- Sustainable growth in floor share across key Gaming Outright Sales markets globally
- Further growth in Digital bookings, with User Acquisition (UA) spend expected to remain between 25% and 28% of overall Digital revenues
- Continued D&D investment to drive sustained, long term growth, with investment likely to be modestly above historic levels, on a percentage of revenue basis
- An increase in SG&A across the business, as we continue to scale and deliver our growth strategy. This includes continuing to identify adjacencies that expand our capabilities to create new business and growth through product, distribution and investment
- Non-operating items are set out below:

Expense item	Assumption
Interest Expense	US\$ borrowings incur fully loaded interest expense of 5% including hedging costs and other finance fees
Amortisation of Acquired Intangibles	Circa US\$95 million pre-tax for FY2021 relating to assets previously acquired
Income Tax Expense	FY2021 ETR of approximately 24.0% to 25.0%, reflective of current corporate tax rates and regional earnings mix