ARISTOCRAT DELIVERS 17% NORMALISED NPATA GROWTH; REAFFIRMS OUTLOOK

Sydney, 23 May 2019

A$ million	Six months to 31 March 2019	Six months to 31 March 2018 [3]		Change %
Normalised results[1,2]				
Operating revenue	**2,105.3**	1,622.0	▲	29.8
EBITDA	**766.3**	642.9	▲	19.2
EBITDA margin	**36.4%**	39.6%	▼	(3.2) pts
EBITA	**644.4**	551.9	▲	16.8
NPAT	**356.5**	310.5	▲	14.8
NPATA	**422.3**	361.5	▲	16.8
Earnings per share (fully diluted)	**55.9c**	48.6c	▲	15.0
EPSA (fully diluted)	**66.2c**	56.6c	▲	17.0
Interim dividend per share	**22.0c**	19.0c	▲	15.8
Normalised operating cash flow	**438.6**	302.0	▲	45.2
Reported Results				
Revenue	**2,105.3**	1,559.7	▲	35.0
Profit after tax	**346.0**	256.5	▲	34.9
NPATA	**411.8**	307.5	▲	33.9
Balance sheet and cash flow				
Net debt / EBITDA[4]	**1.6x**	2.0x	▼	0.4x
Closing net debt/(cash)	**2,429.8**	2,557.9	▼	5.0

Footnotes are provided on page 4

Aristocrat Leisure Limited (ASX: ALL) today announced its financial results for the half year ended 31 March 2019.

Normalised profit after tax and before amortisation of acquired intangibles (NPATA) of $422.3 million represented growth of 16.8% in reported terms and 7.7% in constant currency, compared to the $361.5 million delivered in the six months to 31 March 2018. This result was driven by continued strong growth in the Group's Americas and Digital businesses, together with a further lift in performance across the ANZ region.

The Directors have authorised an interim fully franked dividend of 22.0 cents per share (cps) (A$140.5 million), up 16%, in respect to the six month period ended 31 March 2019. The record and payment dates for the interim dividend are 30 May 2019 and 2 July 2019, respectively.

Other key features of the result include:

- Normalised revenue increased 20.8% in constant currency and 29.8% in reported terms, compared to the prior corresponding period (PCP), to a new reported record of over $2.1 billion.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 10.2% in constant currency and 19.2% in reported terms, demonstrating Aristocrat's continued ability to grow top line revenue, whilst sustaining industry-leading margins.
- Normalised operating cash flow of $439 million (HY18: $302 million) was generated in the period, demonstrating the continued strength of the Group's recurring revenue profile, cash flow generation capability and continued financial rigour.
- Gearing reduced to 1.6x at 31 March 2019, from 2.0x (Pro-forma). The lower leverage ratio was driven by improved operating performance and strong operating cash flows.
- Continued execution of the Group's growth strategy, in particular through:
    - Continued investment in talent, technology and content to drive share growth across existing segments and attractive adjacencies across both land-based and Digital operations;
    - Expanding our North American addressable market via the successful move into a number of market adjacencies, whilst growing share in our established market segments, such as Class II and Class III video segments; and
    - Significantly broadening our opportunities in the ~US$50 billion plus Digital games market, while integrating recent acquisitions and adopting a portfolio approach to drive organic growth, analogous to our successful land-based strategy.

Tax Update

Aristocrat's business profile has changed over the last several years with a large and increasing majority of profit generation from the US, (now representing 60% of Group revenues). In response to this significant shift, and consistent with shareholders' interests, Aristocrat is in the process of implementing changes in its Group structure to ensure that it remains fully aligned with the underlying business model. These changes are expected to result in the company being entitled to additional non-Australian tax deductions while continuing to be a tax resident, and to pay taxes, in Australia.

These changes are not expected to come into effect until after 30 September 2019.

Financially, these changes are expected to lead to reductions in both cash tax paid and accounting tax expense, but will not impact the amount of Australian tax the business pays, which has averaged over $120 million per year for the past three years, as disclosed in Aristocrat's Voluntary Tax Transparency Code Report. Aristocrat has obtained a private ruling from the Australian Tax Office (ATO) that confirms the treatment adopted by the Group.

As a result of the changes, the Group's effective tax rate (ETR) is expected to reduce by 150 to 250 bps (compared to the FY19 ETR) to 25-26%, which would continue to place Aristocrat well within the average ETR range for the ASX 100.

We expect these benefits to continue into the future, subject to global tax policy or legislative changes. Upon implementation, the Group expects to recognise a one-off material deferred tax asset.

Aristocrat will provide a further update to the market, including indicative financial impacts, on completion of the steps to implementation after 30 September 2019.

Implementation of these structural changes is subject to the receipt of gaming regulatory and other necessary approvals.

Outlook

The Group also reiterated expectations for continued growth over the 2019 fiscal year, reflecting the factors set out at its Annual General Meeting in February, namely:

- In land-based Outright Sales, we expect incremental gains in attractive North American adjacencies, in addition to maintaining market-leading share positions across key for-sale segments globally including in the APAC region with no major casino expansions planned in FY19;

- In land-based Gaming Operations, we expect 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;

- We continue to anticipate further growth in Digital bookings supported by new game releases. User Acquisition or UA spend is expected to remain at around 25% to 28% of overall Digital revenues, with the higher relative spend reflective of the increased number of game releases planned for FY19;

- We anticipate lifting Design and Development (D&D) investment across our land-based and Digital portfolio - in absolute dollar terms - while remaining broadly in line with the PCP as a percentage of sales;

- We anticipate moderate growth in corporate costs, as we build the appropriate infrastructure to grow a more complex and diverse business;

- We expect a further 100 - 150bps reduction in the Group's effective tax rate over FY18; and

- Finally, as we build towards a more diversified Digital portfolio, we continue to expect some skewing of our earnings to the second half of the financial year, reflecting the planned cadence of game releases and corresponding UA investment as previously noted.

Aristocrat Chief Executive Officer and Managing Director, Trevor Croker, said "Aristocrat continues to deliver above market profitable growth, leading to strong free cash flow and the ability to reinvest to self-fund future growth, whilst ensuring strong foundations remain in place."

"Another double-digit profit improvement over the six months to 31 March 2019 demonstrates our sound and ambitious strategy and strong commercial execution. We continued to significantly expand our addressable markets across both digital and land-based segments."

"Aristocrat's increased investment in D&D during the period also demonstrates our commitment to sustaining our growth engine going forward. D&D is our preferred allocation of capital, and we are investing effectively to protect and extend our market-leading positions, whilst attacking attractive adjacencies."

"We have successfully integrated our recently acquired Digital businesses, and made significant progress transitioning towards a stronger, more diverse Digital portfolio with a focus on portfolio growth and optimisation, leveraging our scale and driving efficiency" Mr Croker concluded.

Dividend Key Dates:

Ex-dividend Date:	Wednesday 29 May 2019
Record Date:	Thursday 30 May 2019
Payment Date:	Tuesday 2 July 2019

Notes to Table on page 1:

1 Normalised results and operating cash flow are statutory profit (before and after tax) and operating cash flow, excluding the impact of certain significant items. Significant items are items which are either individually or in aggregate, material to Aristocrat and are either outside the ordinary course of business or part of the ordinary activities of the business but unusual due to their size and nature as detailed on page 7 of the Review of Operations.

2 The operating revenue and results for the six months to 31 March 2018 reflect the ongoing revenue recognition principles for the acquired businesses since the date of acquisition and corresponds to the revenue and results that would have been recognised under Accounting Standards had the businesses not been acquired to explain the underlying performance of the entity and the drivers of its profit.

3 Comparative period has been restated per note 3-3 in the financial statements.

4 Consolidated EBITDA as defined by the Credit Agreement.

The information presented has not been audited in accordance with the Australian Auditing Standards.

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Aristocrat Leisure Limited (ASX: ALL) is a leading gaming provider and games publisher, with more than 6,100 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 90 countries. For further information visit the Group's website at www.aristocrat.com.