GAMING INSIGHTS

YOUR DOSE OF DATA BASED REALITY

IRP Insights Research Publication

TODAY'S MENU

1 DAWN OF A NEW FORMAT

2 INDUSTRY SUPPLIER'S PANEL

3 OPERATOR PANEL

ARISTOCRAT GAMING

CHANGING THINGS UP

CONTENT, TALK, RINSE, REPEAT

Each part will start with 3-4 minutes of content presentation, then followed by a series of questions to the esteemed Panel collected before you.

TWO SESSIONS, TWO DISCUSSIONS

In an effort to deliver a broader cross section of discussion, we have created an Industry Supplier session and a separate Operator session.

ARISTOCRAT GAMING

INTRODUCING....

INDUSTRY SUPPLIERS PANEL

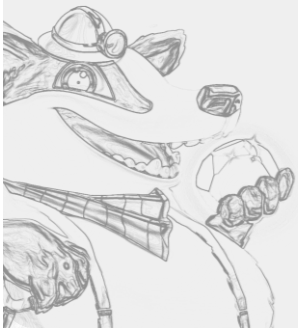COVERING THE TOPICS AROUND PRODUCT TRENDS AND FUTURE TECHNOLOGY CHALLENGES

ARISTOCRAT GAMING

WELCOME TO THE STAGE

Rachel McHugh

Ainsworth

Col Bentley

IGT

Allan Murray

Konami

ARISTOCRAT GAMING
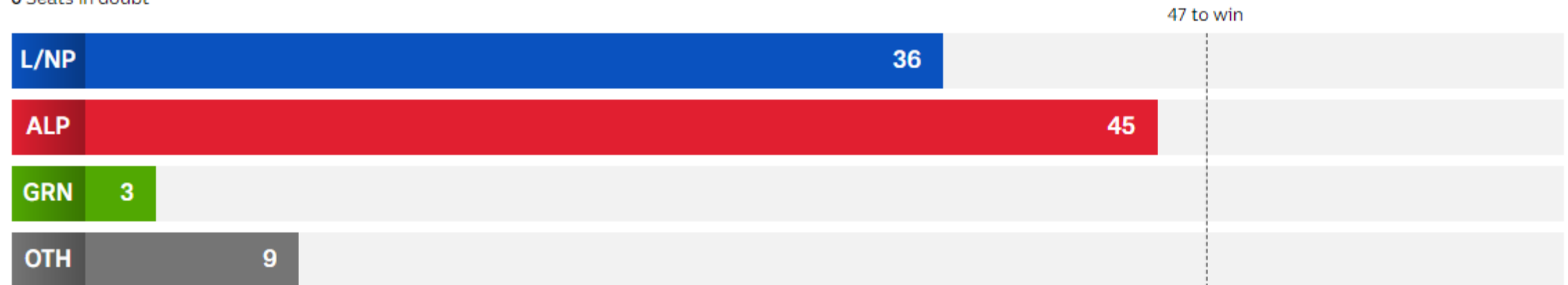
NSW STATE ELECTION

Labour

- 12 month Cashless trial of 500 EGM's on 1st July 2023
- Reduce Cash limit from $5,000 to $500
- Optional buyback scheme 2,000 machines
- Third party exclusion
- Facial Recognition by 30 June 2024
- Extend ban of political donations to clubs
- Ban external gaming related signage (VIP LOUNGE)
- From 1 in 3 entitlement sacrifices to 1 in 2
- Reduce gaming entitlement cap
- Invest in harm minimisation from $100 mill fine from star
- 20 or more EGM's to have a responsible gaming officer

ARISTOCRAT GAMING
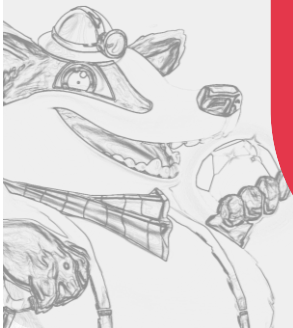
July 1 - $500 Limit

- In place as of the 1ˢᵗ July
- Similar limits to that found in QLD
- Recommendation from crime commission report
- Expectation for increased cash in venue
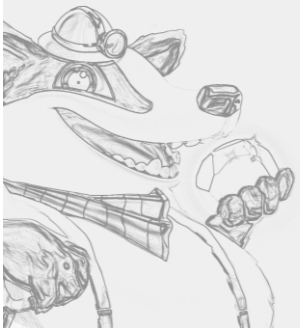
ELECTION CYCLE BLUES - SOME THINGS GO UP

MORE LINKS, HIGHER VALUES

In the same 12-month period, from March '22 to March '23. The average number of Aristocrat EGMs per individual Link declined by 8% to an average of 6.56 EGMs. Units on $50k Links declined by 5% to an average of 9.9 units per Link.

INCREASE IN ATI EGMs ON LINKS

INCREASE IN ATI EGMs ON $50K LINKS

+21.6%

+98.1%

ARISTOCRAT GAMING
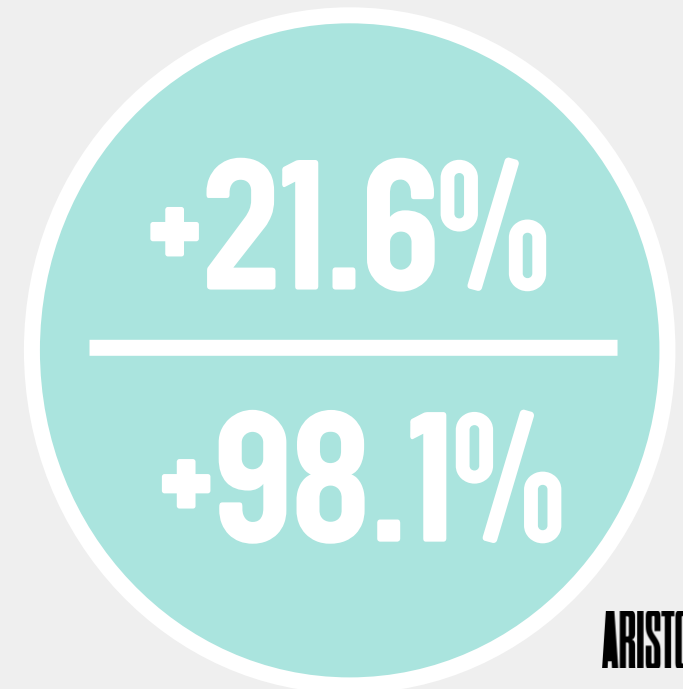
SOME THINGS GO DOWN......

THE EFFECT OF THE ELECTION PROCESS

While we are aware of the effects that Federal and State elections have on consumer spending, there is also a similar effect in the industry at large with new machine purchases, especially with Clubs.
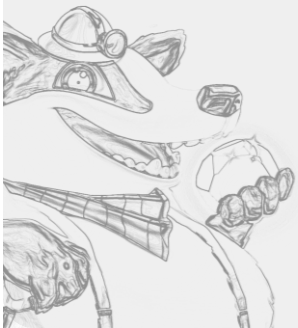
Q1'22 → Q1'23

CLUBS -15%

HOTELS -5%

ARISTOCRAT GAMING

PANEL QUESTIONS

POLITICS

HOTELS VS CLUBS

THE BATTLE RAGES ON

STILL AGGRESSIVE

Print article

Laundys splash $150m on NSW pubs and Byron Bay's The Farm

Rich Lister Arthur Laundy and his family have joined the spending bonanza in the hospitality sector after agreeing to pay about $150 million to acquire full ownership of five trophy pubs that they had previously owned jointly with long-term business partner Fraser Short.

The hotels are the Watsons Bay Boutique Hotel in Sydney's Eastern Suburb, Northies at Cronulla, Park House Mona Vale in Sydney's Northern Beaches and the Lennox Head Hotel and Illawong Hotel on the NSW north coast. Also included in the deal is The Farm, a 32ha working farm and hospitality venue near Byron Bay.

Larry Schlesinger
Reporter

Feb 6, 2023 – 3.51pm

Save   Share

O'Halloran, Terry (Terry.OHalloran@aristocrat.com) is signed in

— **Exclusive**

Orange's Robin Hood Hotel sets $51m 'country pub' record

A syndicate of local operators and investors led by experienced publicans Tim Ireson and Ben Cochrane has paid $51 million for the Robin Hood Hotel in Orange, a record price for a pub in regional NSW.

The price was more than double the $19 million the Marlow Hotel Group, headed by Jason and Peta Marlow, paid for the large venue less than two years ago, although the family invested heavily in a multimillion-dollar upgrade.

Larry Schlesinger
Reporter

Feb 27, 2023 – 3.44pm

NEWS

LIVE BLOG   Keep up with the latest ASX and business news

Iris Capital splashes $50 million on Alice Springs hotels and taverns

ABC Alice Springs / By Lee Robinson

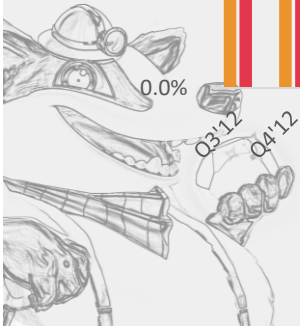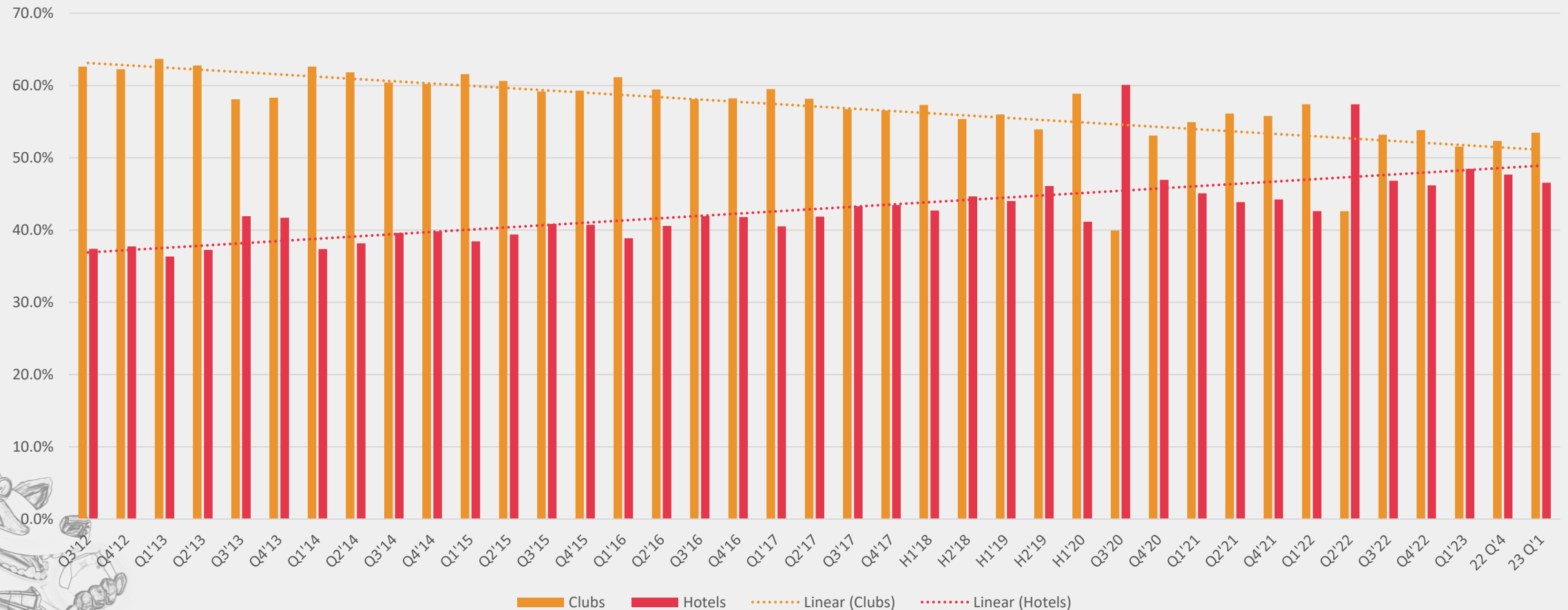Posted Thu 7 Jul 2022 at 8:09am, updated Thu 7 Jul 2022 at 12:32pm

Presentation last saved: Just now

ARISTOCRAT GAMING

Confidential

THE MARCH CONTINUES - SYDNEY

Sydney Gaming Net Revenue Distribution (Q2'12 to Q1'23)

Legend: Clubs ██ | Hotels ██ | Linear (Clubs) ···· | Linear (Hotels) ····

ARISTOCRAT GAMING

SYDNEY CLUB EGM AND VENUE MOVEMENT

Q1'12 → Q1'23

EGMs	-5.3%
Venues	-22.4%
EGM per venue	95.24 ↑ 21.2%
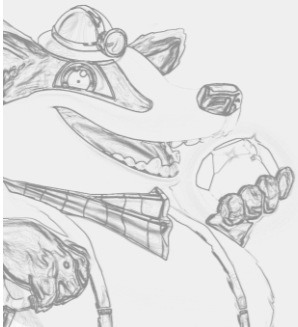
SYDNEY HOTEL EGM AND VENUE MOVEMENT

Q3'12 → Q1'23

EGMs	+3.1%
Venues	-9.2%
EGM per venue	23.09 ↑ 13.5%

ARISTOCRAT GAMING
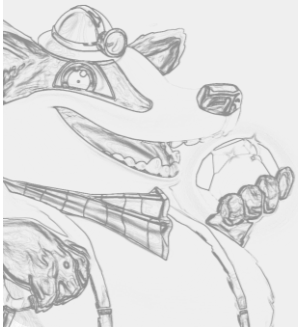
ATI $50k LINK SYDNEY DISTRIBUTION

05/22 → 05/23

| 998 | Hotels | 1,605 |
| 680 | Clubs | 1,307 |

ARISTOCRAT GAMING

PANEL QUESTIONS

LEVELLING THE PLAYING FIELD

GAME MECHANICS AND PRODUCT SEGMENTATION

WHERE WE ARE, WHERE WE GO

ARISTOCRAT GAMING

3 ERAS OF SUCCESS AND PRODUCT DOMINANCE

Late 90's

Linear Link Jackpots

Mid 00's

5 of a Kind SAP

Mid 10's

Hold & Spin

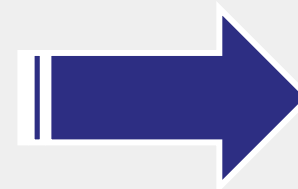ARISTOCRAT GAMING

3 ERAS OF PRODUCT INNOVATION

Late 90's
- Links
- Game driven jackpot

Linear Link Jackpots
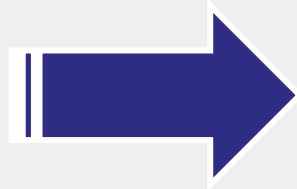
Mid 00's
- SAP's
- Increase to 50 lines

5 of a Kind SAP

Mid 10's
- Back to Links
- 2 separate features
- Multi denom scalable bonuses

Hold & Spin

ARISTOCRAT GAMING

WHAT IS A GAME MECHANIC?

KEY MECHANIC

The game feature that is the centrepiece of game design and a focal point for the player. The current dominant game mechanic is 'Hold & Spin'.

SECONDARY MECHANIC

In a way to further segment popular mechanics, a secondary mechanic is assigned to games to identify popularity and design elements. 'Multi Reel' and 'Repeat Win' are secondary mechanics of 'Hold & Spin'.

ARISTOCRAT GAMING

GAME MECHANIC TRENDS

16 KEY MECHANICS TRACKED

5 MECHANICS ASSIGNED A SECONDARY MECHANIC

26k EGM SAMPLE

1 Hold & Spin – 74.6%

EGM sample consists of games released into the NSW Clubs market from 2018-2023.

ARISTOCRAT
GAMING

GAME MECHANIC TRENDS

16 KEY MECHANICS TRACKED

5 MECHANICS ASSIGNED A SECONDARY MECHANIC

26k EGM SAMPLE

1 Hold & Spin – 74.6%

2 5 of a Kind – 4.92%

EGM sample consists of games released into the NSW Clubs market from 2018-2023.

ARISTOCRAT GAMING

GAME MECHANIC TRENDS

16 KEY MECHANICS TRACKED

5 MECHANICS ASSIGNED A SECONDARY MECHANIC

26k EGM SAMPLE

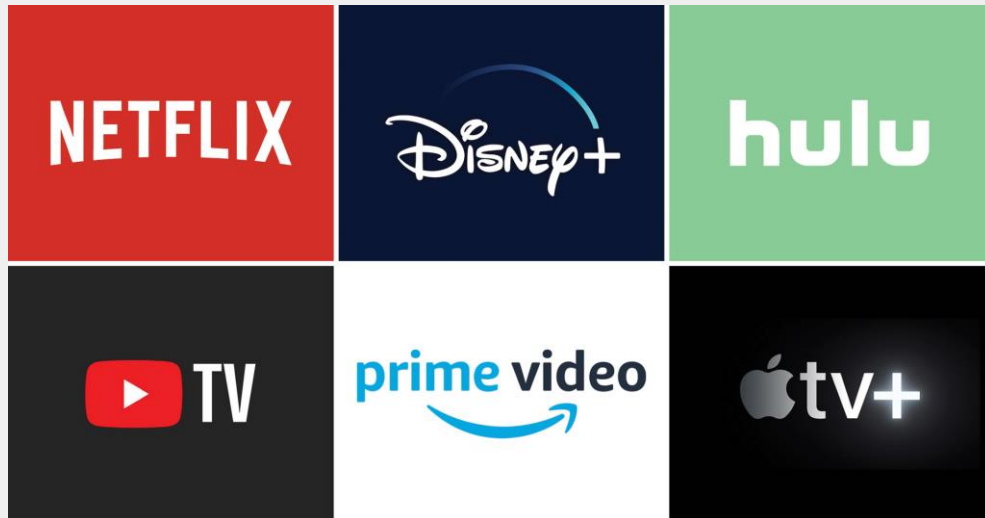**1** Hold & Spin – 74.6%

2 5 of a Kind – 4.92%

3 Triple Metamorphic– 3.42%

EGM sample consists of games released into the NSW Clubs market from 2018-2023.

ARISTOCRAT GAMING

GOT TO KEEP REINVENTING

JACKPOTS, SIGNAGE AND ALL THINGS SPARKLY

PRESENTATION EVOLUTION

ARISTOCRAT GAMING

PRESENTATION IS EVERYTHING

SIGNAGE AS DECORATION

Large scale signage investment is becoming the norm for a large number of venues across Clubs and Hotels. Content is also evolving to create a different experience on the floor.

JACKPOT HISTORY AS A MARKETING VEHICLE

As we add more Jackpots to the market, and split existing Links into multiples – displays which show Jackpot history and current values are becoming popular for the more discerning player. Most believe it is more of a Marketing vehicle than an information display.

ARISTOCRAT GAMING

CHANGING THINGS UP

Vineyard hotel

IN THE ROUND

Burwood Hotel

FURNTURE INSERTS

Ingleburn RSL

PUSHING THE LIMITS

OLD SKOOL

Tingalpa Hotel

NOT JUST GAMING

Swansea RSL

NOT JUST GAMING

Club North Lakes

ARISTOCRAT GAMING

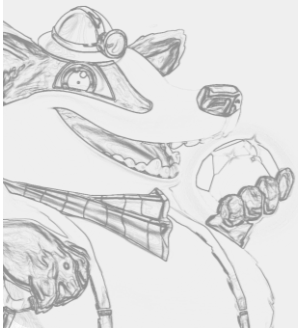# OPERATOR PANEL

THE PEOPLE YOU REALLY WANT TO HEAR FROM

WELCOME TO THE STAGE

Darryl Bozicevic

Milton Ulladulla Ex Services Club
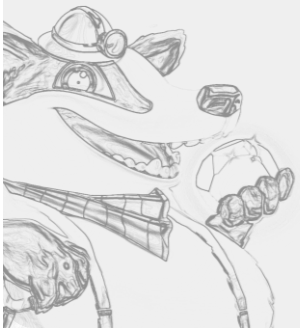
Glenn Cushion

Ingleburn RSL
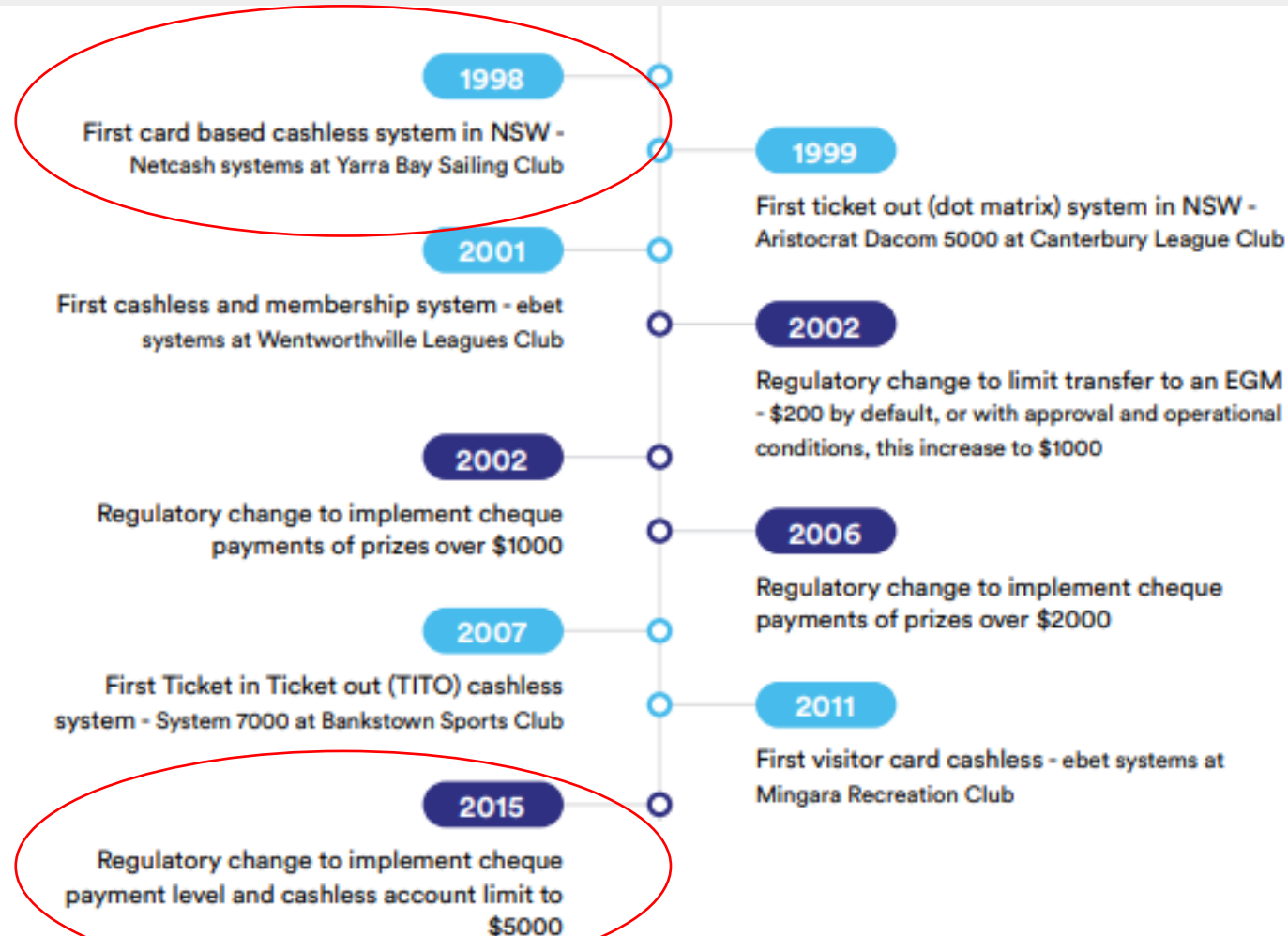
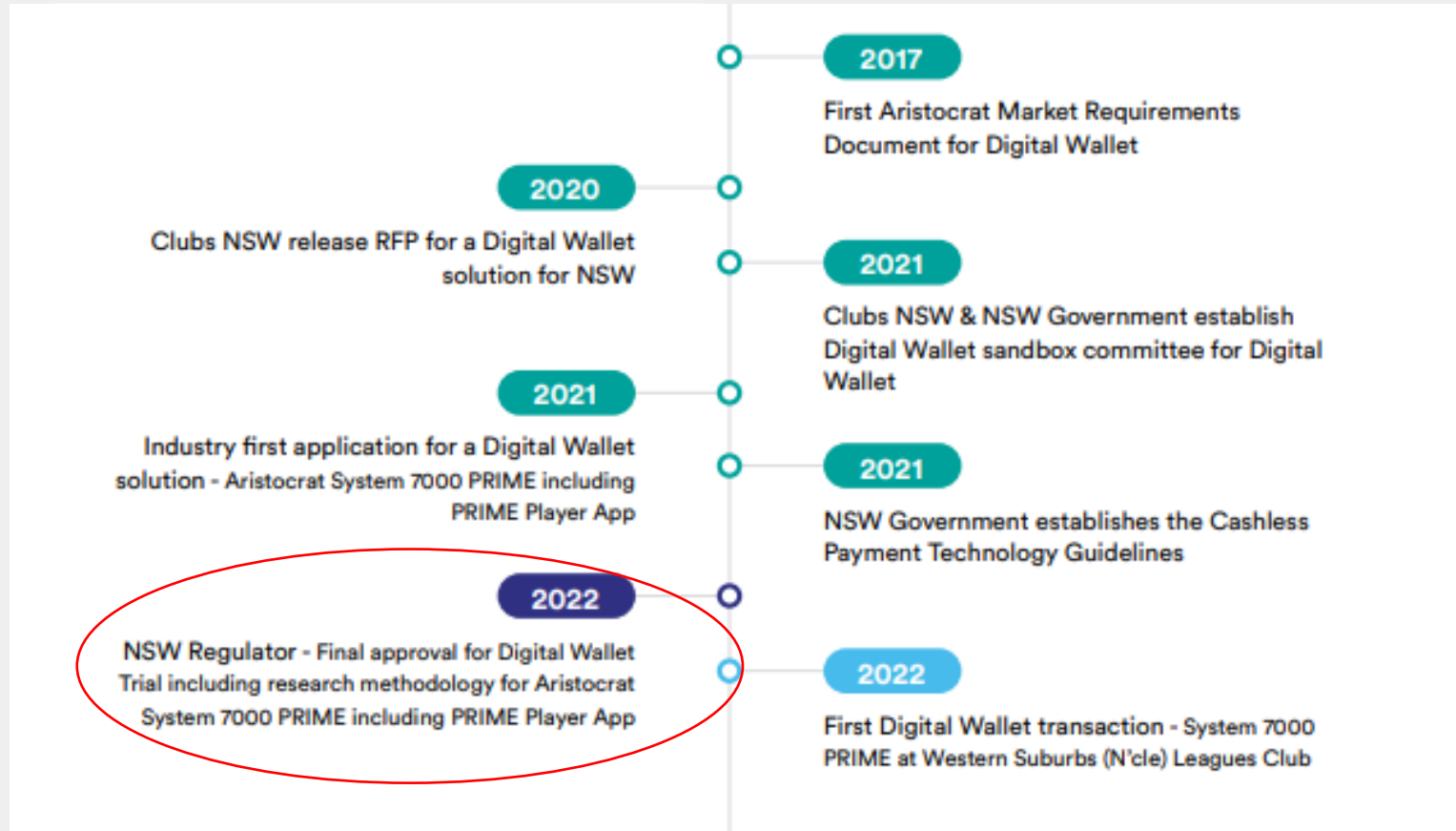# MONEY MOVIN'

THE EVOLUTION TO CASHLESS

DIGITAL WALLET

- 38 EGM'S → 143 EGM's
- The final product will change from the trial to what is sold
- Trial finished a week early

ARISTOCRAT GAMING

TIME LINE

1998

First card based cashless system in NSW - Netcash systems at Yarra Bay Sailing Club

1999

First ticket out (dot matrix) system in NSW - Aristocrat Dacom 5000 at Canterbury League Club

2001

First cashless and membership system - ebet systems at Wentworthville Leagues Club

2002

Regulatory change to limit transfer to an EGM - $200 by default, or with approval and operational conditions, this increase to $1000

2002

Regulatory change to implement cheque payments of prizes over $1000

2006

Regulatory change to implement cheque payments of prizes over $2000

2007

First Ticket in Ticket out (TITO) cashless system - System 7000 at Bankstown Sports Club

2011

First visitor card cashless - ebet systems at Mingara Recreation Club

2015

Regulatory change to implement cheque payment level and cashless account limit to $5000

ARISTOCRAT GAMING

TIME LINE

2017
First Aristocrat Market Requirements Document for Digital Wallet

2020
Clubs NSW release RFP for a Digital Wallet solution for NSW

2021
Clubs NSW & NSW Government establish Digital Wallet sandbox committee for Digital Wallet

2021
Industry first application for a Digital Wallet solution - Aristocrat System 7000 PRIME including PRIME Player App

2021
NSW Government establishes the Cashless Payment Technology Guidelines

2022
NSW Regulator - Final approval for Digital Wallet Trial including research methodology for Aristocrat System 7000 PRIME including PRIME Player App

2022
First Digital Wallet transaction - System 7000 PRIME at Western Suburbs (N'cle) Leagues Club

ARISTOCRAT GAMING

PANEL QUESTIONS

THE PLAYER JOURNEY

MACHINES IN USE

THE OPTIMAL EGM BALANCING ACT

ARISTOCRAT GAMING

OPTIMAL NUMBER OF MACHINES

PEAK OCCUPANCY

A key component of the formula is how many people in a gaming room at any given time, if we subscribe to the belief that rooms are perceived to be 'full' at 75%.

GMEs v EGMs

Clubs have receded from a peak installed base of 108,000 in the mid 90's. With just over 60% of that number in operation, this number continues to decline at varying speeds in all regions.

PEAK OCCUPANCY

Minutes played - 2022, NSW Clubs
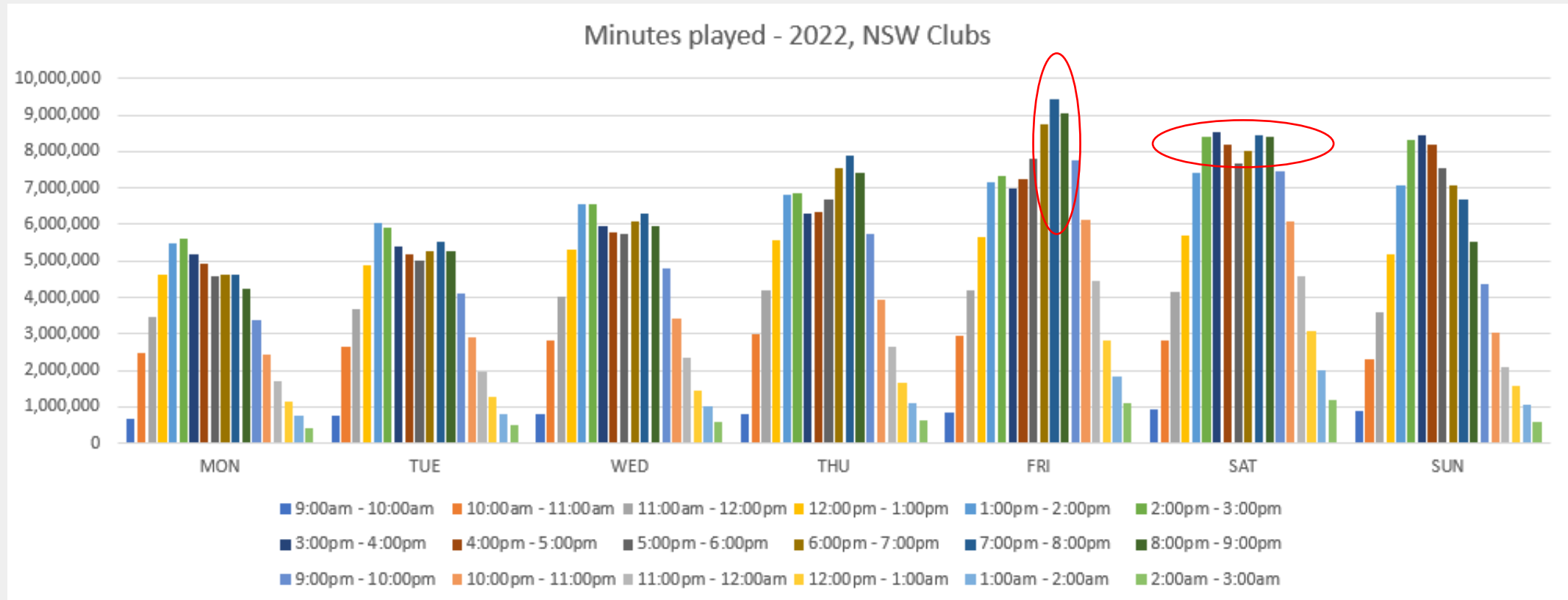
Source: Astute

OPTIMAL LICENSE USAGE

Region	Club GMEs	Club EGMs	Unused Share
CC | Hunter	9,971	8,968	10.1%
Illawarra	3,687	3,117	15.5%
North Coast	7,532	6,819	9.5%
NW NSW	2,540	2,382	6.2%
South Coast	2,769	2,609	5.8%
SW NSW	7,087	6,439	9.1%
Western NSW	2,816	2,639	6.3%
Syd - E	2,585	1,806	30.1%
Syd - N	4,829	4,009	17.0%
Syd - S	3,212	2,650	17.5%
Syd - SW	12,952	12,079	6.7%
Syd - W	12,810	11,240	12.3%
Grand Total	**72,790**	**64,757**	**11.0%**

Source: OLGR, Apr-23

ARISTOCRAT GAMING

CLUB VENUE AND EGM MOVEMENT

CLUBS EGM MOVEMENT

Regions	Q1'12	Q1'23	Change	%age
Sydney - CBD | East	3,066	1,812	-1,254	-40.9%
Sydney - South	4,349	2,634	-1,715	-39.4%
Sydney - Inner West	3,124	2,085	-1,039	-33.3%
South Coast	2,745	2,155	-590	-21.5%
Far North Coast	3,845	3,086	-759	-19.7%
Far South West NSW	4,093	3,387	-706	-17.2%
Newcastle	4,455	3,741	-714	-16.0%
Illawarra	3,623	3,121	-502	-13.9%
Mid North Coast	4,186	3,672	-514	-12.3%
Sydney - North	4,361	3,944	-417	-9.6%
North West NSW	2,490	2,263	-227	-9.1%
Central Coast	3,929	3,620	-309	-7.9%
South West NSW	3,452	3,199	-253	-7.3%
Sydney - Outer West	3,049	2,907	-142	-4.7%
Central West	2,365	2,298	-67	-2.8%
Sydney - Outer South West	2,922	3,233	311	10.6%
Hunter Valley	1,412	1,581	169	12.0%
Sydney - West	5,646	6,664	1,018	18.0%
Sydney - South West	7,371	8,818	1,447	19.6%
Far West NSW	330	460	130	39.4%
	70,813	64,680		-8.7%

CLUBS VENUE MOVEMENT

Regions	Q1'12	Q1'23	Change	%age
Sydney - CBD | East	65	32	-33	-50.8%
Sydney - Inner West	56	34	-22	-39.3%
South Coast	49	33	-16	-32.7%
Sydney - South	61	42	-19	-31.1%
Sydney - North	75	56	-19	-25.3%
Newcastle	80	62	-18	-22.5%
North West NSW	103	81	-22	-21.4%
South West NSW	107	93	-14	-13.1%
Central West	101	88	-13	-12.9%
Central Coast	41	36	-5	-12.2%
Illawarra	53	47	-6	-11.3%
Mid North Coast	86	77	-9	-10.5%
Sydney - Outer South West	29	26	-3	-10.3%
Far South West NSW	56	51	-5	-8.9%
Far North Coast	69	63	-6	-8.7%
Sydney - Outer West	39	37	-2	-5.1%
Sydney - South West	62	59	-3	-4.8%
Far West NSW	7	7	0	0.0%
Hunter Valley	38	39	1	2.6%
Sydney - West	47	51	4	8.5%
	1,224	1,014		-17.2%

Source: OLGR, Apr-23

ARISTOCRAT GAMING

HOTEL VENUE AND EGM MOVEMENT

HOTEL EGM MOVEMENT

Regions	Q3'12	Q1'23	Change	%age
Far North Coast	1,111	710	-401	-36.1%
Sydney - Inner West	1,989	1,457	-532	-26.7%
Far South West NSW	570	418	-152	-26.7%
North West NSW	1,176	885	-291	-24.7%
Central West	1,073	811	-262	-24.4%
South West NSW	1,465	1,164	-301	-20.5%
South Coast	472	390	-82	-17.4%
Sydney - CBD | East	4,416	3,786	-630	-14.3%
Sydney - South	930	804	-126	-13.5%
Hunter Valley	733	655	-78	-10.6%
Mid North Coast	1,052	1,021	-31	-2.9%
Central Coast	626	626	0	0.0%
Newcastle	1,358	1,358	0	0.0%
Sydney - Outer South West	968	1,017	49	5.1%
Far West NSW	54	60	6	11.1%
Sydney - Outer West	833	956	123	14.8%
Sydney - North	1,280	1,470	190	14.8%
Illawarra	645	798	153	23.7%
Sydney - South West	1,308	1,846	538	41.1%
Sydney - West	1,371	2,170	799	58.3%
	23,430	22,402		-4.4%

HOTEL VENUE MOVEMENT

Regions	Q3'12	Q1'23	Change	%age
Central West	133	62	-71	-53.4%
Far North Coast	91	44	-47	-51.6%
North West NSW	158	80	-78	-49.4%
South West NSW	157	80	-77	-49.0%
Far South West NSW	60	33	-27	-45.0%
Hunter Valley	76	47	-29	-38.2%
South Coast	43	27	-16	-37.2%
Far West NSW	11	7	-4	-36.4%
Sydney - Inner West	102	72	-30	-29.4%
Sydney - CBD | East	253	194	-59	-23.3%
Mid North Coast	81	67	-14	-17.3%
Sydney - South	36	30	-6	-16.7%
Newcastle	93	79	-14	-15.1%
Central Coast	31	28	-3	-9.7%
Sydney - Outer South West	42	39	-3	-7.1%
Sydney - Outer West	49	47	-2	-4.1%
Sydney - North	58	58	0	0.0%
Illawarra	39	42	3	7.7%
Sydney - South West	50	67	17	34.0%
Sydney - West	54	78	24	44.4%
	1,617	1,181		-27.0%

Source: OLGR, Apr-23

ARISTOCRAT GAMING

PANEL QUESTIONS

OPTIMAL OPERATIONS

ARISTOCRAT GAMING

COMMUNITY GRANTS

THE RIGHT APPROACH

ELECTION + MEDIA + GAMING = PRESSURE

- There was 150+ articles in the Sydney morning herald in 6 months
- Cashless
- Problem gambling
- Money laundering
- Individual stories
- Venue stories
- Vegas Trips
- Community grants…
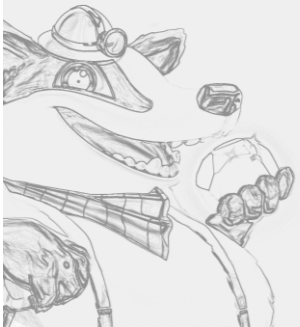
ALL THE BEST INTENTIONS

STANDARDISING A BASELINE

Established in 1998 to ensure registered Clubs with profits over $1m contribute to the local community. All values and recipients defined in the Club's Annual Report.

PART OF COMMUNITY ENGAGEMENT

2 Categories were established that ensured there was a consistent approach. Category 1 determined at the LGA level while Category 2 is determined at the Club level.

ARISTOCRAT GAMING
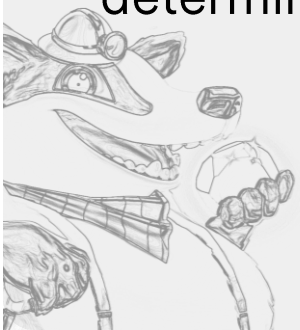
| TOP VIEW

About ClubGRANTS

ClubGRANTS is one of Australia's largest grant programs, providing more than $100 million in cash each year to a variety of worthy causes across NSW.

Charities, sporting organisations and not-for-profit community groups are among tens-of-thousands of worthy causes funded through the program each year.

ClubGRANTS by the numbers

Over $1 billion

in total ClubGRANTS since 1998

9400

ClubGRANTS Online applications last year

2360

unique applicants last year

ARISTOCRAT GAMING

WHEN IT RAINS, IT POURS...

....AND POURS

PANEL QUESTIONS

KEEPING YOUR HAND ON THE RUDDER

ARISTOCRAT GAMING

'IT'S THE ECONOMY, STUPID'

THE CHICKEN LITTLE PARADOX

WHAT GOES AROUND COMES AROUND

DISCRETIONARY INCOME INDUSTRY

Broader economy performance and confidence affects different aspects of a Club business in a variety of ways, depending on the customer cohort. Government loosening and now tightening was always bound to have an effect.

DIFFERENT VENUES IN DIFFERENT REGIONS

There is no clear line by region or venue size/type that determines trends or performances, but the key is to measure against your region using LGA revenue.
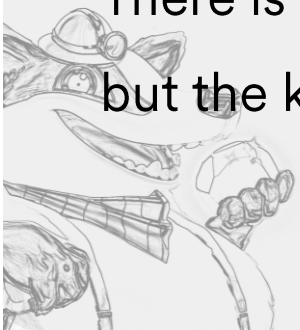
LGA REVENUE – '21 → '22 → '23

Region Hotels	21 Q'1		22 Q'1		23 Q'1
Sydney - CBD | East	100%	●	9%	●	12%
Sydney - Inner West	100%	●	12%	●	7%
Sydney - North	100%	●	-8%	●	21%
Sydney - Outer South West	100%	●	20%	●	0%
Sydney - Outer West	100%	●	18%	●	2%
Sydney - South	100%	●	13%	●	3%
Sydney - South West	100%	●	14%	●	2%
Sydney - West	100%	●	20%	●	5%
Grand Total	100%		14%		6%

Region | Clubs	21 Q'1		22 Q'1		23 Q'1
Sydney - CBD | East	100%	●	3%	●	-2%
Sydney - Inner West	100%	●	3%	●	9%
Sydney - North	100%	●	12%	●	5%
Sydney - Outer South West	100%	●	4%	●	10%
Sydney - Outer West	100%	●	9%	●	-2%
Sydney - South	100%	●	2%	●	7%
Sydney - South West	100%	●	2%	●	9%
Sydney - West	100%	●	5%	●	12%
Grand Total	100%		4%		8%

Source: OLGR

ARISTOCRAT GAMING

WHAT GOES DOWN, MUST GO UP
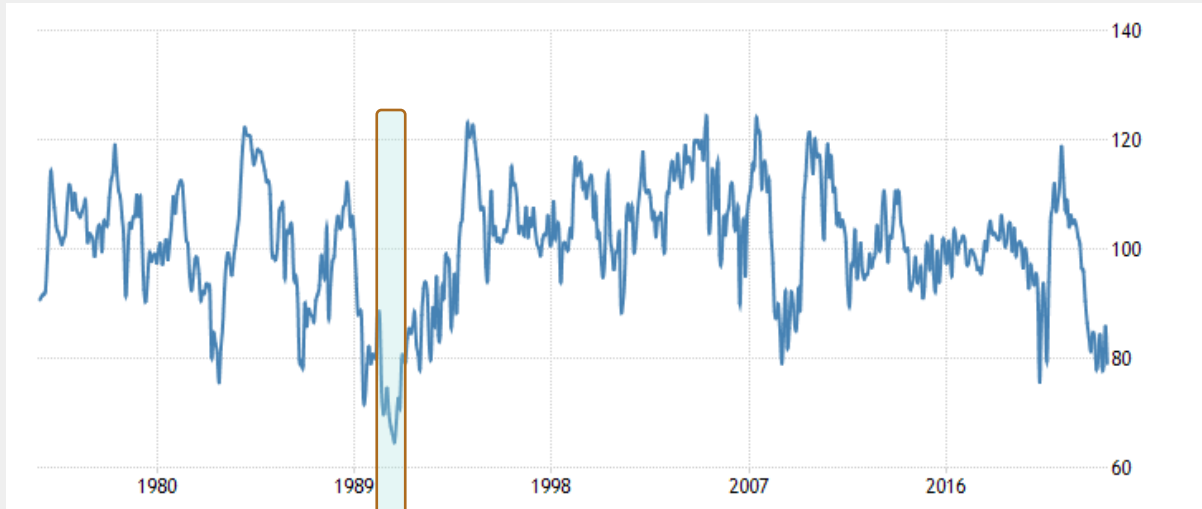
Source: Trading Economics

CONSUMER
CONFIDENCE

INTEREST
RATES

Last Recession in Australia
1990-91

ARISTOCRAT
GAMING

GAMING RESILIENCE OVER THE YEARS

Source: Trading Economics

CONSUMER
CONFIDENCE

INTEREST
RATES

Net Gaming (Pubs and Clubs - NSW, Qld, Vic, ACT)
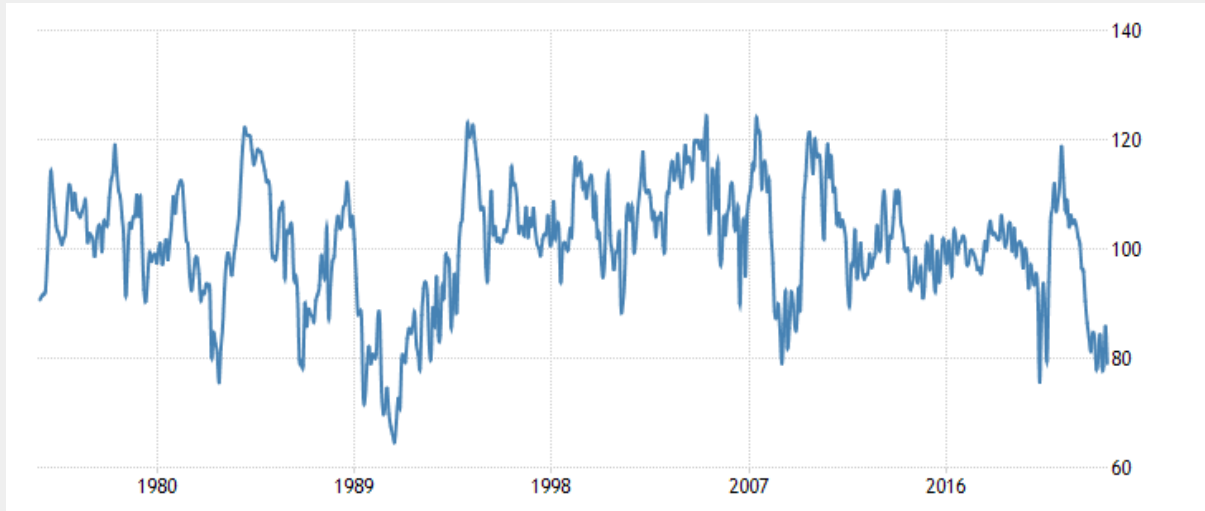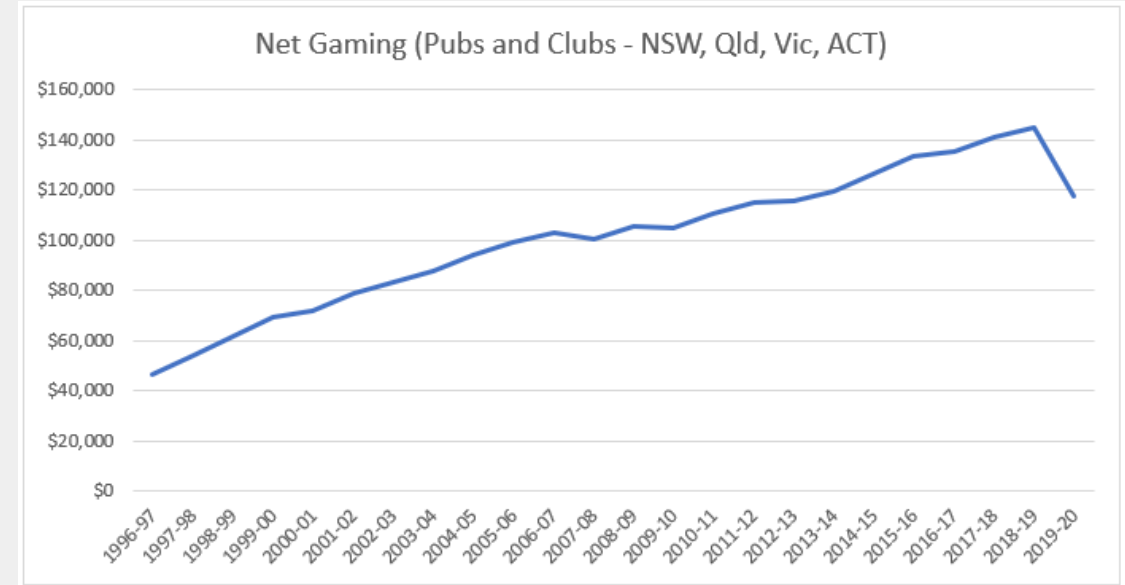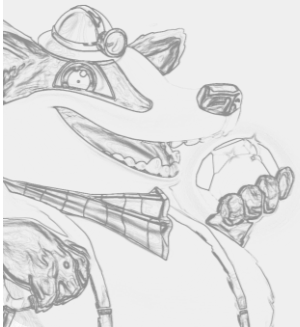
Source: Queensland Treasury

ARISTOCRAT GAMING

COSTS TETHERED TO GAMING*

- Promotions
- Badge Draws
- Bingo
- Raffles

And the big one…..

- Rewards Programs

Any activity where you check Gaming activity related to that time of day _is_ connected.

ARISTOCRAT GAMING

ARE REWARDS PROGRAMS A HELP OF HINDERANCE?

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LIES, INSIGHTS AND STATISTICS

Metric	Average
Tier Levels (200+ EGM sites)	5.3
2nd Tier to 1st Tier population	3.48x
1st Tier to 2nd Tier spend pp	2.81x
Top Tier average visitation	145
2nd Tier average visitation	120

Metric	Average
Top Tier costs	5.41%
Bottom Tier costs	6.25%
Bottom : Top Tier ratio	1.15x
Direct Tier cost of carded revenue	5.12%
Direct : Aggregated cost ratio	2.83x

Metric	Average
Carded Play	55%
Costs : Carded gaming revenue	7.24%
Costs : Total gaming revenue	3.98%

Source: Terry O'Halloran Rewards Review – 32 NSW Clubs

ARISTOCRAT GAMING

GAMING ROOMS AND REWARDS PROGRAMS

BE LAZY OR BE DISCIPLINED

Players notice unclean gaming rooms, lazy staff and poor product....they will also take advantage of poorly constructed Rewards programs.

START AT THE BOTTOM

Gaming Managers get the best results working the bottom of the ranking report. Rewards programs are about removing ROI-less costs.

When you come to a fork in the road. Take it.

-Yogi Berra

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PANEL QUESTIONS

FACING AN UNCERTAIN MARKET

ARISTOCRAT GAMING

DIVERSIFICATION 101

A NEW FOCUS POST ELECTION ?

ARISTOCRAT GAMING

SYDNEY CLUB SNAPSHOT

FY'21

69 Sydney Clubs (Groups)

22,667 EGMs

Gaming revenue share – 72.8%

Cash to Debt – 1.16

Marketing to All Revenue – 5.6%

Wages to All Revenue – 27.5%

ARISTOCRAT GAMING

BANKSTOWN SPORTS

REVESBY WORKERS

LIVERPOOL CATHOLIC CLUB

CAMPSIE RSL

RSL's $25m green play to make it less reliant on pokies

Tess Bennett
Technology reporter

Dec 11, 2022 – 3.03pm

Save   Share

A Sydney RSL club is building a factory in Bathurst where wheat offcuts will be turned into compostable packaging in a bid to diversify the club's revenue streams and become less reliant on gaming.

The project is run by InnovationClub, an organisation established by Campsie RSL in 2019 to drive its diversification efforts, predominantly to identify community problems and commercialise potential solutions.

FINANCIAL REVIEW

InnovationClub's Dean Lettfuss, project director, Colin Farrell, director of business development and chief executive Jackson Sobb.

TERRYS INVESTMENT SCHEDULE

- Gaming is still the engine, it still requires investment
- Excluding a major renovation or system purchase, you need to have a Capex plan
- This needs to incorporate all parts of the Gaming room offering

Per EGM Floor Content	Price	Replacement Rate	Average Value
Gaming Machine	$29,000	8	$3,625
Bases	$500	4	$125
Stools	$500	4	$125
Display Screens	$100	4	$25
Signage	$500	4	$125
Controllers	$400	8	$50
Furniture	$200	4	$50
CRTs	$500	4	$125
Repairs and Maintenance	$250	1	$250
Average investment per EGM, per year, rolling 5 year average			$4,500

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FREE KICK TIME

HAVE AT IT

MY JOB HERE IS DONE

UNLESS TERRY HAS SOME COMMENTS

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until next time