

# AGEM Index

Association of Gaming Equipment Manufacturers

December 2010

**E**nding the year on a good note, few global gaming suppliers witnessed price declines in the month of December as the AGEM Index soared to its highest level since April. Negative impacts came from a few manufacturers traded on exchanges outside of the U.S., but overall the index of 17 global gaming suppliers increased by 9.75 points, or 10.2 percent, to 105.51. The latest surge in the index helped break the 100-point barrier and provided the first double-digit percentage increase since July of 2009. Compared to a year ago, the index remains down a marginal 0.8 percent. The AGEM Index outpaced the broader market measurements as the Dow Jones Industrial Average and Standard and Poor's 500 Index increased by a strong 4.8 percent and 5.9 percent, respectively, during the month of December. Selected positive contributors to the index during the month included:

- International Game Technology (IGT) reported an increase of 14.28 percent in its stock valuation, adding 3.79 points to the index.
- Konami (KNM) contributed 2.11 points to the index based on a 14.28-percent gain in its stock price.

Selected negative contributors to the index included:

- Lottomatica (LTO) witnessed its stock price fall 1.96 percent, contributing -0.16 points to the index.
- INTRALOT S.A. (INLOT) posted a 3.49-percent decline in its stock valuation, contributing negative 0.08 points to the index.

Before record rainfall arrived in Las Vegas and winter storms blanketed much of Atlantic City with snow in December, Caesars Entertainment's CFO Jonathan Halkyard's described the 2011 outlook for the gaming industry as "more tough sledding."

Las Vegas laid witness to the opening of The Cosmopolitan of Las Vegas, which will likely be the last casino-resort to be built on the strip for many years. With initial reviews being positive and the use of many manufacturers' latest technological advances, global gaming suppliers will now have to turn their attention to upgrading existing Las Vegas operators in what has traditionally been the testing ground for new technology.

AGEM	Exchange: Symbol (Currency)	Stock Price At Month End			Percent Change		Index Contribution
		Dec-10	Nov-10	Dec-09	Prior Period	Prior Year	
Ainsworth Game Technology	ASX: AGI (AU\$)	0.22	0.16	0.18	37.50	↑ 22.22	0.15
Aristocrat Technologies	ASX: ALL (AU\$)	2.99	2.60	4.02	15.00	↑ (25.62)	1.79
Astro Corp.	Taiwan: 3064 (NT\$)	63.50	60.50	74.00	4.96	↑ (14.19)	0.08
Bally Technologies	NYSE: BYI (US\$)	42.19	39.17	41.29	7.71	↑ 2.18	0.91
Elixir Gaming Technologies	AMEX: EGT (US\$)	0.36	0.38	0.25	(5.26)	↓ 44.00	(0.01)
GameTech International	Nasdaq: GMTC (US\$)	0.34	0.44	1.40	(22.73)	↓ (75.71)	(0.00)
Gaming Partners International	Nasdaq: GPIC (US\$)	6.18	5.74	5.61	7.67	↑ 10.16	0.02
Global Cash Access	NYSE: GCA (US\$)	3.19	2.28	7.49	39.91	↑ (57.41)	0.43
IGT	NYSE: IGT (US\$)	17.69	15.48	18.77	14.28	↑ (5.75)	3.79
INTRALOT S.A.	ATHEX: INLOT (€)	2.49	2.58	4.10	(3.49)	↓ (39.27)	(0.08)
Konami	NYSE: KNM (US\$)	21.29	18.63	18.00	14.28	↑ 18.28	2.11
Lottomatica (GTECH)	MILAN: LTO.MI (€)	9.27	9.46	14.03	(1.96)	↓ (33.93)	(0.16)
Multimedia Games	Nasdaq: MGAM (US\$)	5.58	4.32	6.01	29.17	↑ (7.15)	0.23
Shuffle Master	Nasdaq: SHFL (US\$)	11.45	10.73	8.24	6.71	↑ 38.96	0.21
Transact Technologies	Nasdaq: TACT (US\$)	9.37	9.06	6.94	3.42	↑ 35.01	0.02
Wells-Gardner Electronics	AMEX: WGA (US\$)	2.22	2.00	2.27	11.00	↑ (2.20)	0.01
WMS Industries	NYSE: WMS (US\$)	45.24	44.35	40.00	2.01	↑ 13.10	0.27
Change in Index Value							9.75
AGEM Index Value: November 2010							95.75
<b>AGEM Index Value: December 2010</b>							<b>105.51</b>

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Casinos' ability to invest in new technology and maintain a shorter lifecycle of hardware replacement is largely related to their performance. What may be fortunate for gaming manufactureres is that Moody's Investors Service revised their previous 2011 estimate for gaming revenue from flat to positive. However, the 1-to-2-percent growth in gaming revenue is marginal, especially for operators servicing larger debt loads carried over from the Great Recession. Although the report was positive for the sector, it did warn that tough times will linger, with the expectation that unemployment levels will remain elevated and the proliferation of gaming will likely continue.

PricewaterhouseCoopers (PwC) also cited improvement in the overall economy and disposal income as signs that gaming revenue would start to steadily rebound. Nevertheless, with estimates of Nevada gaming revenue not returning to prerecession levels until 2014, there is still some pain to endure.

For global gaming suppliers to rebound quicker, incremental revenue sourced to U.S. operations and international growth will be required. While new casinos are expected to open in Kansas, Maryland, and Oklahoma, and expansions in Illinois are on the horizon, gaming manufacturers may find their greatest revenue potential in markets outside the U.S. Reforms in Syria led to the first casino opening since 1963. Lawmakers in Ireland are exploring options to open a large-scale

casino-resort and licensing online betting. It is expected that casino gaming will expand in Europe as many countries adjust to new austerity measures and governments enact tax-generating policies that may include gambling.

Nonetheless, Asia continues to be the growing player and will likely outpace the U.S. market over the next decade. For 2010, Macau gaming revenue grew 57.8 percent to \$23.5 billion. Singapore's two casino-resorts, having been operational for less than a year and are still expected to generate nearly \$3 billion. Add in the potential for expanded gaming in Korea and Vietnam, and global gaming suppliers will likely focus more of their attention on overseas operations.

In addition to the overall performance of the index, Marcus Prater, Executive Director of AGEM, commented on the impact the market's performance may have on AGEM members, "While the AGEM Index is comprised of selected publicly traded AGEM members, it is important to note that the overall AGEM membership has increased significantly during the latest business cycle. From 32 members to 107 in 33 months, AGEM continues to grow and play an important role in the gaming industry. As travel and convention business returns toward pre-recession levels, and gaming operators slowly invest in new technology, AGEM members will have a greater impact on the businesses and communities in which they serve."



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## The AGEM Index

The Association of Gaming Equipment Manufacturers (AGEM) produces the monthly AGEM Index that comprises 17 global gaming suppliers throughout the world. A total of 12 suppliers are based in the United States and are listed on the NYSE, Nasdaq, or AMEX, while two trade on the Australian exchange, one supplier trades on the Athens exchange, one trades on the Milan exchange, and another trades on the Taiwan OTC exchange. The index is computed based on the month-end stock price (adjusted for dividends and splits) of each company and weighted based on approximation of market capitalization. Market capitalizations for manufacturers trading on foreign exchanges have been converted to US dollar-equivalents as of month-end for comparability purposes. The AGEM Index is based on a 100-point value as of January 2005.

## About AGEM

AGEM is an international trade association representing manufacturers of electronic gaming devices, systems, and components for the gaming industry. The Association works to further the interests of gaming equipment manufacturers throughout the world. Through political action, tradeshow partnerships, information dissemination and good corporate citizenship, the members of AGEM work together to create benefits for every company within the organization. Together, AGEM and its member organizations have assisted regulatory commissions and participated in the legislative process to solve problems and create a positive business environment.

## AGEM Index and Overview



The AGEM index and overview is prepared by Applied Analysis (AA). AA is a Nevada-based advisory services firm providing consultation services for public and private entities. The company utilizes extensive experience in economics, information technology and finance to provide a wide range of services, including urban economic consulting, financial advisory services, market analysis, public policy analysis, hospitality industry and gaming consulting, and information system and technology consulting.

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## AGEM Membership Roster

The current AGEM membership roster, 107 strong, is a who's who of the supplier segment of the global gaming industry:

### AGEM Gold Members:

- Aristocrat Technologies
- Aruze Gaming America
- Austrian Gaming Industries
- Bally Technologies
- GTECH/Atronic/Spielo
- International Game Technology (IGT)
- Intralot S.A.
- Konami Gaming
- WMS Gaming

**AGEM Silver Members:** Action Gaming, American Gaming Systems (AGS), Casino Technology, JCM Global, MEI, Multimedia Games, Shuffle Master, Suzo-Happ Group, TCSJohnHuxley and Wells-Gardner Electronics.

**AGEM Bronze Members:** AC Coin & Slot, Acres 4.0, Ainsworth Game Technology, Astro Corp., Bingotimes Technology, Borden Technology, Cadillac Jack, Cantor Gaming, Cammegh Limited, CashCode / Crane Payment Solutions, Diamond Game, DigiDeal, Digital Display Group, Entropy Precision System, Euro Games Technology (EGT), Galaxy Gaming, GameTech International, Gaming Partners International, Gaming Support, Incredible Technologies, Interblock USA, Jumbo Technology, Lightning Gaming, Matsui Gaming Machine Co., MCA Processing, Modern Gaming, Rocket Gaming Systems, Summit Gaming, Table Trac, THT and Winning Asia Technology.

**AGEM Associate Members:** 3M Touch Systems, Advantech-Innocore, AxesNetwork Solutions, Bullivant Houser Bailey, Casino Enterprise Management, Chetu, CMYK Creative, Codespace Gaming, Cole Kepro International, Cybertec Gaming Systems, Diamond Casino Products, DynaGraphic Printing, Elite Casino Products, Esterline Advanced Input Systems, Flextronics, FutureLogic, Gaming Capital Group, Gary Platt Manufacturing, Global Cash Access, Global Gaming Group (G3), Grand Products, Heber Ltd., Howard & Howard, IDX, Intel, IPS, James Industries, KEY-BAK, Kreller Group, Leap Forward Gaming, Lewis & Roca, Lincoln Industries, Masterpiece Advertising, MC2, Money Controls, Nanoptix, Outpost Creative, Phelps Dunbar, Proforma GPS, Quixant Ltd., Regulatory Management Counselors, Rye Park Gaming, Sanmina-SCI, SCA Gaming, Strategy9, StylGame USA, Talent Associates, The Bright Group, Tournament One, TMX, Trade Show Fabrications, TransAct Technologies, Veridocs, Wrex Products and Young Electric Sign Company (YESCO).

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