

# AGEM Index

Association of Gaming Equipment Manufacturers

June 2011

**W**hile the broader equities market in the United States turned downward during the month of June 2011, the AGEM Index moved nearly equidistant in a positive direction. Although the market capitalization of 12 of the 17 publicly traded global gaming suppliers declined, the overall AGEM Index managed to rise 0.87 points, or nearly 0.8 percent, to 110.61 points. For comparison purposes, the Standard & Poor's 500 Index and the NASDAQ Composite both declined 0.8 percent, while the Dow Jones Industrial Average retracted a more modest 0.2 percent during the month of June.

Selected positive contributors to the index during the month included the following:

- Konami (KNM) recorded an increase of 14.61 percent in its stock valuation adding 2.72 points to the index.
- International Game Technology (IGT) contributed 0.61 points to the index from a 1.97-percent gain in its stock price.

Despite the majority of the index members having witnessed their stock prices decline during the month of June, the amount of negative contributions to the index were primarily sourced to a few manufacturers, particularly those trading on foreign exchanges. Selected negative contributors to the index included:

- Aristocrat Technologies (ALL) reported an 11.36-percent decline in its stock price, removing 0.98 points from the index.
- Lottomatica (LTO) contributed negative 0.80 points to the index with its stock valuation falling 4.84 percent.

With the global economic recovery still on unstable ground, particularly as the United States deals with its own debt load and European nations negotiate a bailout for Greece, many investors are likely taking a wait-and-see approach. Insight into confidence and investor expectations will be assisted by second quarter earnings reports being released within the next 60 days.

AGEM	Exchange: Symbol (Currency)	Stock Price At Month End			Percent Change		Index Contribution
		Jun-11	May-11	Jun-10	Prior Period	Prior Year	
Ainsworth Game Technology	ASX: AGI (AU\$)	0.36	0.34	0.09	5.88	300.00	0.03
Aristocrat Technologies	ASX: ALL (AU\$)	2.42	2.73	3.66	(11.36)	(33.88)	(0.98)
Astro Corp.	Taiwan: 3064 (NT\$)	60.80	66.30	52.30	(8.30)	16.25	(0.07)
Bally Technologies	NYSE: BYI (US\$)	40.68	39.41	32.39	3.22	25.59	0.41
Elixir Gaming Technologies	AMEX: EGT (US\$)	0.27	0.33	0.25	(18.55)	7.52	(0.03)
GameTech International	Nasdaq: GMTC (US\$)	0.22	0.22	0.74	(0.05)	(70.28)	(0.00)
Gaming Partners International	Nasdaq: GPIC (US\$)	7.19	7.63	6.38	(5.77)	12.70	(0.02)
Global Cash Access	NYSE: GCA (US\$)	3.18	3.21	7.21	(0.93)	(55.89)	(0.01)
IGT	NYSE: IGT (US\$)	17.58	17.24	15.70	1.97	11.97	0.61
INTRALOT S.A.	ATHEX: INLOT (€)	1.47	1.64	2.62	(10.37)	(43.89)	(0.19)
Konami	NYSE: KNM (US\$)	23.69	20.67	15.72	14.61	50.70	2.72
Lottomatica (GTECH)	MILAN: LTO.MI (€)	13.38	14.06	10.60	(4.84)	26.23	(0.80)
Multimedia Games	Nasdaq: MGAM (US\$)	4.55	5.52	4.50	(17.57)	1.11	(0.13)
Shuffle Master	Nasdaq: SHFL (US\$)	9.36	10.89	8.01	(14.10)	16.79	(0.42)
Transact Technologies	Nasdaq: TACT (US\$)	11.70	11.50	7.30	1.74	60.27	0.01
Wells-Gardner Electronics	AMEX: WGA (US\$)	1.75	2.13	1.86	(17.84)	(5.91)	(0.02)
WMS Industries	NYSE: WMS (US\$)	30.72	31.46	39.25	(2.35)	(21.73)	(0.24)
Change in Index Value							0.87
AGEM Index Value: May 2011							109.75
<b>AGEM Index Value: June 2011</b>							<b>110.61</b>

www.AGEM.org

# AGEM Index

Association of Gaming Equipment Manufacturers

June 2011



Respecting the fact that credit ratings reflect third-party assessments about a particular company's ability to meet its future financial obligations, ratings can play a larger role. Individual corporate ratings can also affect others down the supply chain. During the last month, credit ratings from Moody's Investors Service and Standard & Poor's were adjusted for selected hotel-casino operators, providing an outlook on not only the individual companies, but the entire sector.

The recent financial performance for Las Vegas Sands, including its turnaround from the brink of financial collapse nearly three years ago, has led to a stable outlook and a rise in its credit rating to BB from Standard & Poor's. While the diversified gaming operator has more than \$10 billion in outstanding debt, revenue and growth forecasts suggest the debt load is manageable. Moody's Investors Service was a little more affable, raising its rating outlook to positive with a corporate debt rating of Ba3.

Wynn Resorts Ltd. also received a boost from Standard & Poor's, who pushed the company's credit rating to BB+, which is just below investment grade (BBB). While both operators witnessed their credit ratings improve, it is largely due to the strength of their asset pools as well as international developments, particularly in the Asian gaming market where revenues have surged to new highs.

Excluding Las Vegas Sands and Wynn Resorts, credit rating agencies have not been as favorable towards other casino operators and the market in general. Moody's indicated that a slowdown in an already lackluster recovery may put further pressure on gaming companies. Operators without a plan to diversify their portfolio and capture new revenues in emerging markets may face additional challenges.

Moody's shed light specifically on the vulnerability of Caesars Entertainment (credit rating of Caa2) and MGM Resorts International (credit rating of B3). With large outstanding debt obligations at \$23 billion and \$12 billion, respectively, Caesars and MGM remain relatively highly leveraged within the United States and are banking on domestic revenue growth. Yet, as long-term unemployment levels remains elevated and consumer confidence continues to be fragile, many operators may experience less-than-favorable credit ratings.

While casino operators are not gaming suppliers, their credit ratings (and more importantly investor expectations) affect manufacturers by limiting accessibility to capital and potentially raising the cost of borrowing. As long as operators have higher-than-average credit ratings, it is likely their ability to significantly invest in new technology or gaming products will be somewhat limited, further impeding global gaming operators' ability to fully recover from the downturn.



# AGEM Index

Association of Gaming Equipment Manufacturers

June 2011

## 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.

For More Information, Contact:

**Marcus Prater, Executive Director**  
P.O. Box 50049, Henderson, NV 89016-0049  
702.812.6932 | [AGEM.org@cox.net](mailto:AGEM.org@cox.net)

## AGEM Membership Roster

The current AGEM membership roster, 115 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:** Abbiati Casino Equipment, AC Coin & Slot, Acres 4.0, Ainsworth Game Technology, Alfastreet, Astro Corp., Bingotimes Technology, Borden Technology, Cadillac Jack, Cammegh Limited, Cantor Gaming, Crane Payment Solutions / CashCode / Money Controls, Diamond Game, DigiDeal, Digital Display Group, Entropy Precision System, Euro Games Technology (EGT), Galaxy Gaming, GameTech International, Gaming Partners International, Gaming Support, Glory (U.S.A) Inc. Incredible Technologies, Inspired Gaming, Interblock USA, Iverson Gaming Systems, Jumbo Technology, Lightning Gaming, Matsui Gaming Machine Co., MCA Processing, Modern Gaming, Patriot Gaming & Electronics, Rocket Gaming Systems, Summit Gaming, Table Trac, THT and Winning Asia Technology.

**AGEM Associate Members:** 3M Touch Systems, Advantech-Innocore, AxesNetwork Solutions, Casino Enterprise Management, CMYK Creative, Codespace Gaming, Cole Kepro International, Cooper Levenson, Cybertec Gaming Systems, Diamond Casino Products, DynaGraphic Printing, Elite Casino Products, Esterline Advanced Input Systems, Flextronics, Fox Rothschild, FutureLogic, Gaming Capital Group, Gary Platt Manufacturing, Gemaco, Global Cash Access, Global Gaming Group (G3), Grand Products, Hanco Technologies, Heber Ltd., Howard & Howard, IDX, Intel, IPS, James Industries, KEY-BAK, Kreller Group, Leap Forward Gaming, Lewis & Roca, Lincoln Industries, Masterpiece Advertising, 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, Trans-Lux, Veridocs, Wrex Products and Young Electric Sign Company (YESCO).