

# AGEM Index

Association of Gaming Equipment Manufacturers

August 2011

**W**hile broader economic indicators continue to show signs of weakness amid fears of a looming “double-dip” recession, the AGEM Index continues to outperform the broader equities markets. Significant stock declines did impact a handful of AGEM Index members’ stock price, 11 of them falling by double digits. However, with the conclusion of second quarter earnings season, improving trends in travel and tourism continue while the majority of gaming operators appear to have put the worst behind them, and those with a presence in Asia are maintaining their upward momentum going forward.

The market witnessed the AGEM Index decline slightly by 0.09 points, or 0.1 percent, ending the month with a composite score of 113.98. While the majority of members held the index back, those declines were offset by gains at Konami Gaming, which witnessed its stock price flourish. Selected positive contributors to the index during the month included the following:

- Konami (KNM) recorded a 42.46-percent increase in its stock price during the past month, adding 14.07 points to the index.

- Multimedia Games (MGAM) contributed 0.12 points to the index sourced to a 13.59-percent gain in its stock valuation.

Selected negative contributors to the index included:

- International Game Technology (IGT) contributed negative 5.26 points to the index with its stock valuation falling 17.91 percent.
- Lottomatica (LTO) reported a 20.26-percent decline in its stock price, removing 3.51 points from the index.

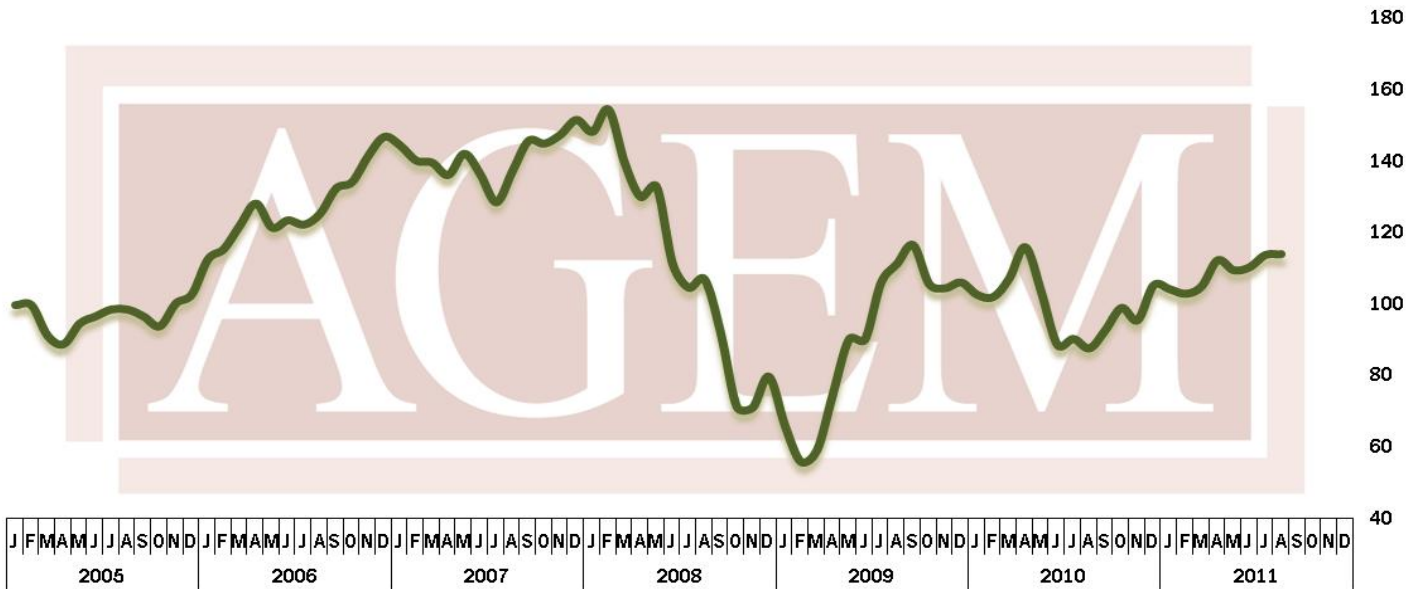
For comparison purposes, the broader markets in the United States continued their trend downward during the month, largely attributable to macroeconomic concerns. For the month, the Dow Jones Industrial Average declined nearly 4.4 percent, Standard & Poor’s 500 Index fell 5.7 percent, and the NASDAQ Composite slipped more than 6.4 percent. Losses sustained in the broader markets during August have erased all gains for the year, yet the AGEM Index is up more than 8.0 percent through the first eight months of 2011.

AGEM	Exchange: Symbol (Currency)	Stock Price At Month End			Percent Change		Index Contribution
		Aug-11	Jul-11	Aug-10	Prior Period	Prior Year	
Ainsworth Game Technology	ASX: AGI (AU\$)	0.47	0.41	0.13	14.63	261.54	0.10
Aristocrat Technologies	ASX: ALL (AU\$)	2.08	2.44	3.72	(14.75)	(44.09)	(1.32)
Astro Corp.	Taiwan: 3064 (NT\$)	51.30	64.70	46.10	(20.71)	11.28	(0.16)
Bally Technologies	NYSE: BYI (US\$)	31.38	39.43	31.45	(20.42)	(0.22)	(1.83)
Elixir Gaming Technologies	AMEX: EGT (US\$)	0.29	0.34	0.23	(15.45)	26.09	(0.03)
GameTech International	Nasdaq: GMTC (US\$)	0.11	0.25	0.36	(58.00)	(70.83)	(0.00)
Gaming Partners International	Nasdaq: GPIC (US\$)	7.45	7.80	5.96	(4.49)	25.00	(0.02)
Global Cash Access	NYSE: GCA (US\$)	3.00	2.81	3.62	6.76	(17.13)	0.08
IGT	NYSE: IGT (US\$)	15.26	18.59	14.60	(17.91)	4.52	(5.26)
INTRALOT S.A.	ATHEX: INLOT (€)	0.80	1.27	3.10	(37.01)	(74.19)	(0.44)
Konami	NYSE: KNM (US\$)	37.04	26.00	16.03	42.46	131.07	14.07
Lottomatica (GTECH)	MILAN: LTO.MI (€)	11.02	13.82	10.75	(20.26)	2.51	(3.51)
Multimedia Games	Nasdaq: MGAM (US\$)	4.93	4.34	3.49	13.59	41.26	0.12
Shuffle Master	Nasdaq: SHFL (US\$)	8.86	9.32	7.95	(4.94)	11.45	(0.15)
Transact Technologies	Nasdaq: TACT (US\$)	9.76	11.60	7.71	(15.86)	26.59	(0.09)
Wells-Gardner Electronics	AMEX: WGA (US\$)	2.06	1.99	2.50	3.52	(17.60)	0.01
WMS Industries	NYSE: WMS (US\$)	21.82	27.57	35.34	(20.86)	(38.26)	(1.64)
Change in Index Value							(0.09)
AGEM Index Value: July 2011							114.07
<b>AGEM Index Value: August 2011</b>							<b>113.98</b>

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From bill validators to table game designers, vendors large and small play a pivotal role in the operations of a gaming industry where U.S. commercial casinos generate \$35 billion in annual revenues. A peek inside the second quarter earnings of selected gaming operators provides a clearer assessment of today's environment and insight into the potential for gaming equipment manufacturers to recover from a slow down in development and extended replacement cycle timelines.

Caesars Entertainment, the largest US operator (measured by revenue), witnessed its net revenues rise a slight 0.4 percent, to \$2.2 billion during the second quarter of 2011. Additionally, a key performance indicator, EBITDA, was up 15.2 percent over the previous year, reaching \$541.8 million. The gains were largely witnessed from the Las Vegas market, where the company plans to finish its Octavius Tower near the end of the year and is moving forward with the planning of its \$500 million LINQ project, an entertainment district along the resort corridor near Imperial Palace and the Flamingo Las Vegas. It is also important to note that the performance of Caesars' Las Vegas properties reported the best quarterly gains in three years. Domestic expansions are also on the horizon, including Ohio and potentially Massachusetts, if the regulatory environment allows.

Reporting improvements at both its Macau and Las Vegas properties, Wynn Resorts recorded a 32.4 percent increase in net revenues over the same period a year ago (Q2 2010). The bulk of the company's revenue continues to come from its Macau property where adjusted EBITDA increased 36.7 percent from a year ago, but adjusted EBITDA in Las Vegas rose more 103.7 percent. Wynn's balance sheet provides flexibility for future investments.

Properties across the Las Vegas Sands portfolio also recorded substantial increases in revenue and EBITDA. Overall, the company reported a net revenue increase of 47.1 percent, to \$2.4 billion. The Marina Bay Sands property in Singapore, which opened last year, provided 44.5 percent of the company's second quarter reported EBITDA. Its Macau properties reported a record adjusted EBITDA of \$391.6 million and at its headquarters in Las Vegas, both the Venetian and Palazzo contributed \$92.9 million in EBITDA, a 40.8-percent increase compared to the second quarter of 2010. The increase was sourced to additional group and convention activity. Continued investments in China provide additional supplier opportunities.

The performance of MGM Resorts International was also positive, reporting an overall EBITDA increase of 47.1 percent over the same period one year ago. Although results are largely attributable to its Macau operations and the company's acquisition of a controlling interest in MGM China during the second quarter, key indicators in its Las Vegas properties also reported increases. Excluding CityCenter, which is not wholly owned by MGM Resorts International, net revenues for the second quarter increased 5.0 percent, to \$1.2 billion. At \$271.0 million, adjusted EBITDA increased a larger 11.2 percent from the year before.

Overall improvements in the gaming industry seem to be sustained, particularly for larger multinational gaming operators with interests abroad. With leisure and hospitality trends reporting increased stabilization, it is likely the worst remains in the rearview mirror. As a result, gaming equipment manufacturers may begin to benefit from an improving industry environment, as long as macroeconomic trends support their new-found footing.



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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, 113 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, 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, Gaming Partners International, Gaming Support, Glory (U.S.A) Inc., Incredible Technologies, Inspired Gaming, Interblock USA, Iverson Gaming Systems, JPM International, 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, Casino Enterprise Management, CMYK Creative, Codespace Gaming, Cole Kepro International, Cooper Levenson, Cybertec Gaming Systems, 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., Rainmaker, Regulatory Management Counselors, Rye Park Gaming, Sanmina-SCI, SCA Gaming, Strategy9, StylGame USA, Talent Associates, The Bright Group, Tournament One, Trade Show Fabrications, TransAct Technologies, Trans-Lux, Veridocs, Wrex Products and Young Electric Sign Company (YESCO).