

AGEM Index

Association of Gaming Equipment Manufacturers

December 2015

The gaming equipment manufacturing sector posted a positive performance in 2015 as the AGEM Index improved by 15.47 points (+8.5 percent) year-over-year to 197.32, which represents the third consecutive month of year-over-year growth. Compared to November 2015, the index reported an increase of 2.99 points (+1.5 percent) in the final month of the year.

In December, six of the 14 global gaming equipment manufacturers reported month-to-month gains in stock price, with one up by nearly 15 percent. Of the eight manufacturers reporting declines in stock price during the month, five were down by five percent or more, with two down by 10 percent or more.

The broader stock markets reported modest losses from November 2015 to December 2015. The S&P 500 ended the month at 2,043.94, which represents a loss of 1.8 percent. The Dow Jones Industrial Average reported a decline of 1.7 percent, falling to 17,425.03. NASDAQ reported the greatest month-to-month decrease of the three major indices, falling 2.0 percent to 5,007.41.

Selected positive contributors to the December 2015 AGEM Index included the following:

- Aristocrat Technologies (ALL) contributed 3.67 points as a result of a 7.6-percent increase in stock price to AU\$10.21.
- Due to a 4.2-percent gain in stock price to \$16.18, International Game Technology PLC (IGT) contributed 1.56 points.
- With a stock price of ¥2,888 (+0.2 percent), Konami Corp. (9766) contributed 1.08 points.

Selected negative contributors included the following:

- Due to a stock price of \$47.84 (-8.0 percent), Crane Co. (CR) contributed negative 2.59 points.
- INTRALOT S.A. (INLOT) contributed negative 0.36 points, due to a 15.2-percent decline in stock price to €1.17.

AGEM	Exchange: Symbol (Currency)	Stock Price At Month End			Percent Change		Index Contribution
		Dec-15	Nov-15	Dec-14	Prior Period	Prior Year	
Agilysys	Nasdaq: AGYS (US\$)	9.99	11.10	12.59	(10.00) ↓	(20.65) ↓	(0.27)
Ainsworth Game Technology	ASX: AGI (AU\$)	2.29	2.40	2.36	(4.58) ↓	(2.97) ↓	(0.34)
Aristocrat Technologies	ASX: ALL (AU\$)	10.21	9.49	6.56	7.59 ↑	55.64 ↑	3.67
Astro Corp.	Taiwan: 3064 (NT\$)	18.20	20.00	30.50	(9.00) ↓	(40.33) ↓	(0.04)
Crane Co.	NYSE: CR (US\$)	47.84	52.02	58.70	(8.04) ↓	(18.50) ↓	(2.59)
Daktronics, Inc.	Nasdaq: DAKT (US\$)	8.72	8.67	12.51	0.58 ↑	(30.30) ↓	0.03
Everi Holdings Inc.	NYSE: EVRI (US\$)	4.39	3.82	7.15	14.92 ↑	(38.60) ↓	0.50
Galaxy Gaming Inc.	OTCMKTS: GLXZ (US\$)	0.19	0.20	0.39	(5.00) ↓	(51.28) ↓	(0.00)
Gaming Partners International	Nasdaq: GPIC (US\$)	8.96	8.86	8.61	1.13 ↑	4.07 ↑	0.01
International Game Technology PLC	NYSE: IGT (US\$)	16.18	15.53	17.25	4.19 ↑	(6.20) ↓	1.56
INTRALOT S.A.	ATHEX: INLOT (€)	1.17	1.38	1.09	(15.22) ↓	7.34 ↑	(0.36)
Konami Corp.	TYO: 9766 (¥)	2,888.00	2,881.00	2,220.00	0.24 ↑	30.09 ↑	1.08
Scientific Games Corporation	Nasdaq: SGMS (US\$)	8.97	9.22	12.73	(2.71) ↓	(29.54) ↓	(0.24)
Transact Technologies	Nasdaq: TACT (US\$)	8.59	8.85	5.47	(2.94) ↓	57.04 ↑	(0.02)
Change in Index Value							2.99
AGEM Index Value: November 2015							194.33
AGEM Index Value: December 2015							197.32

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As slot machine revenue has moderated in a number of markets, casino operators have sought new sources of slot revenue by targeting the younger millennial demographic. The advent of skill-based gaming provides an interesting opportunity to reach a generation that has generally resisted slot play, opting for non-gaming hospitality options, such as nightlife, dining and live entertainment.

With the adoption of regulations surrounding skill-based games by the Nevada Gaming Commission in September, operators are now free to dedicate portions of their casino floors to machines that appear more like an arcade game than a slot machine.

While pop culture themes have helped attract new players, skill-based games appeal to a technologically savvy millennial demographic while adding an engaging new element to the experience. A player's skill can have a material effect on the outcome of the game and offers opportunities for players to progress in difficulty and even influence the game's payouts. In addition, these games offer community or group play where multiple players can engage simultaneously, adding a social aspect to the gaming experience. Though these games are not yet featured on the casino floor, several operators see their potential to attract new gaming revenue.

While on the surface the potential of these new games is clear, the marketing surrounding them remains murky. Attracting younger players requires implementing forms of communication that millennials use every day. Social media is the primary form of interaction for the demographic and will prove to be an integral strategy in connecting these new gaming experiences with customers. Some analysts believe that this connection could go as far as a seamless integration of social media into the slot machines themselves. With this functionality, players may have the opportunity to join a "social gaming network" that will increase the connection between gamers.

The evolution of the slot manufacturing industry continues to evolve, as do technological advancements and the demographics of the communities in which casinos operate.

Despite the potential draw surrounding these new game types, questions still remain in terms of their profitability from the casino's perspective given limited history. While skill-based games are still in their infancy, they offer a bright and daring future for the slot machine industry. With casinos beginning to experiment with the new products on their floors and the necessary legislation in place, players can expect to see these games arriving in 2016.



The AGEM Index

The Association of Gaming Equipment Manufacturers (AGEM) produces the monthly AGEM Index that comprises 14 global gaming suppliers throughout the world. A total of 9 suppliers are based in the United States and are listed on the NYSE, Nasdaq or OTC market, while two trade on the Australian exchange, one supplier trades on the Athens exchange, one on the Tokyo 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

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

AGEM Gold Members:

- Ainsworth Game Technology
- Aristocrat Technologies
- Austrian Gaming Industries
- Everi Holdings Inc.
- International Game Technology PLC (IGT)
- Intralot S.A.
- Konami Gaming
- Sega Sammy Creation
- Scientific Games

AGEM Silver Members: Action Gaming, AGS, Aruze Gaming America, Casino Technology, Crane Payment Innovations (CPI), Gaming Partners International (GPI), JCM Global, Merkur Gaming, Ortiz Gaming, Suzo-Happ Group, TCSJohnHuxley and Zitro.

AGEM Bronze Members: Abbiati Casino Equipment, Alfastreet, Amatic Industries, Astro Corp., BetConstruct, Bingotimes Digital Technology, Boss Gaming, Cammegh Limited, Century Gaming Technologies, CG Technology (CGT), Cole Kepro International, DEQ Systems, Euro Games Technology (EGT), FBM, Galaxy Gaming, Gambit Gaming, Gaming Support, Glory Global Solutions, Gold Club, Grand Vision Gaming, Incredible Technologies, Inspired Gaming, Interblock USA, Intervision Gaming, ISMS, Iverson Gaming Systems, Jumbo Technology, Matsui Gaming Machine Co., Metronia, NanoTech Gaming, NYX Gaming Group, Patriot Gaming & Electronics, Quixant Ltd., Reel Games, Table Trac, U1 Gaming, Wells-Gardner Technologies and Win Systems.

AGEM Associate Members: 3M Touch Systems, Abbott Law Chartered, Advanced Gaming Associates, Adlink Technology, Advantech-Innocore, Agilysys, AMD, Arrow International, Asimex Global, Atrient, Axiomtek, British Group Interactive (BGI), Brown & Brown Insurance of Nevada, Camryn Industries, CardConnect, Carmanah Signs, Casino Connection International, Catapult Global, CDC Gaming Reports, Coloredge, Cooper Levenson, Coretronic, Cybertec Gaming Systems, Daktronics, Digital Instinct, DiTronics Financial Services, DynaGraphic Printing, Eilers Research, Elite Gaming Technology, Esterline Interface Technologies, Fantini Research, Four Corners, Fox Rothschild, G2 Game Design, GAN, Gaming Capital Group, Ganlot, Gary Platt Manufacturing, Gasser Chair Company, Genesis Interactive Technologies, GeoComply USA, Gill's Printing & Color Graphics, Global Experience Specialists (GES), Global Gaming Group (G3), Greenberg Traurig, House Advantage, Howard & Howard, Impact Display Solutions, Intel, IPS, James Industries, James Industry Research Group, JCS Technologies, Joingo, Jones Walker, KEY-BAK, Kontron, Lazcano Sámano, Leap Forward Gaming, Legacy Electronics, Lewis Roca Rothgerber, Lightstone Solutions, McGladrey LLP, Metalcraft, NanoLumens, Olsen Gaming / Spectronix, Outpost Creative, Portilla Ruy-Díaz y Aguilar, Proforma GPS, Randstad Staffing, Regulatory Management Counselors (RMC), Sanmina, SCA Gaming, Sightline Payments, Southwest Manufacturing Services, Spin Games, StylGame USA, Talent Associates, The Bright Group, Touch Dynamic, Tournament One, TOVIS, TransAct Technologies, Vantiv Gaming Solutions, Veridocs, Wells Fargo, Young Electric Sign Company (YESCO) and Zebra Technologies.