

Aristocrat Leisure Limited

Acquisition of Plarium Global Limited

10 August 2017



ARISTOCRAT

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Contents

- 1** Transaction overview

 - 2** Overview of Plarium

 - 3** Strategic rationale

 - 4** Funding

 - 5** Conclusion

 - A** Appendix: Glossary of terms
-



Section 1

Transaction overview

Transaction overview

Aristocrat has entered into a binding agreement to purchase social gaming company, Plarium. The transaction will materially increase Aristocrat's Digital revenue

- ✓ Significantly expands Aristocrat's Digital addressable market into adjacent gaming segments
- ✓ Increases Aristocrat's exposure to the fast growing Digital market
- ✓ Proven content and ability to monetise social games
- ✓ Strong management team with global game development talent across multiple studios
- ✓ Operational parallels with Aristocrat's Digital business
- ✓ Attractive financial metrics, strong historical growth and expected to be EPSA accretive in year one
- ✓ Strong cultural alignment with Aristocrat



Key current games



Transaction summary

Transaction overview	<ul style="list-style-type: none"> • Aristocrat has entered into a binding agreement to acquire 100% of Plarium for total consideration of: <ul style="list-style-type: none"> – an upfront amount of US\$500 million cash (A\$667 million⁽¹⁾), subject to customary completion adjustments; and – an earn-out arrangement payable to Plarium shareholders following the end of calendar years 2017 and 2018 respectively, based on 10x Last Twelve Months (“LTM”) EBITDA at year end (less previous consideration amounts already paid in prior periods) • Total transaction consideration implies a multiple of 10x LTM EBITDA at year end • Under the sale and purchase agreement, Plarium and its shareholders have made representations, warranties and covenants customary for a transaction of this type
Management retention	<ul style="list-style-type: none"> • CEO and co-founder of Plarium, Avraham Shalel, will continue to lead Plarium post acquisition <ul style="list-style-type: none"> – Mr Shalel and 12 other key members of Plarium’s management team have agreed to retention and deferred consideration arrangements with Aristocrat, including deferring a portion of their upfront consideration until end of calendar year 2020. They have also agreed to non compete arrangements
Funding	<ul style="list-style-type: none"> • Aristocrat will fund the acquisition via existing cash and an incremental US\$425m 7 year Term Loan B debt facility • Aristocrat has signed a commitment letter with the funds fully committed
Financial impact	<ul style="list-style-type: none"> • Expected to be EPSA accretive from year one of acquisition⁽²⁾ • Plarium provides strong operating cash flows • Pro forma net debt / LTM EBITDA as at 31 March 2017 of 1.5x⁽³⁾ • Aristocrat remains committed to targeting metrics consistent with an investment grade credit rating
Timing	<ul style="list-style-type: none"> • Expected to complete by the end of December 2017, subject to the receipt of necessary regulatory approvals and satisfaction of other customary closing conditions

Notes:

(1) Converted at AUD:USD exchange rate of 0.75.

(2) Pro forma EPSA accretion for FY18 assumes full year contribution of Plarium. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

(3) Refer page 22 for further detail.



Section 2

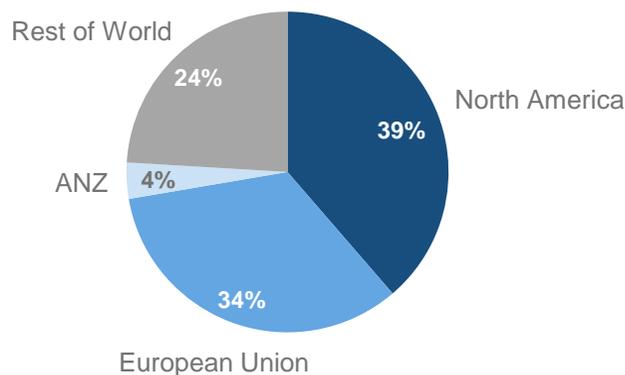
Overview of Plarium

Overview of Plarium

Plarium overview

- Plarium is an Israeli headquartered Free-To-Play ("FTP") mobile, social, and web-based game developer
- Operates across five genre-specific studios
- Produces mobile games for iOS and Android, as well as Facebook and browser-based games
- Strong pipeline of high quality mobile titles across multiple segments including Strategy, Role Playing Games ("RPG") and Casual⁽¹⁾
- Adjusted revenue and Adjusted EBITDA for 12 months ended 31 March 2017 of US\$201m and US\$44m respectively⁽²⁾

Plarium revenue by geography^{(2),(3)}



Notes:

- (1) See Appendix A (Glossary of terms) for definitions of game segments.
- (2) Plarium financial information presented on a bookings basis. See Appendix A for definitions of Adjusted revenue and Adjusted EBITDA.
- (3) Based on revenue for the year ended 31 December 2016.
- (4) Launch date as per first month of revenue generation.

Product overview – Key current games

Game	Launch ⁽⁴⁾	Mobile launch ⁽⁴⁾
	May-11	Sep-12
	Dec-11	NA
	Nov-12	Oct-14
	Jul-13	Oct-16
	Mar-14	NA
	Jun-15	Jun-15
	Aug-16	Aug-16
	Apr-17	Apr-17
	Jul-17	Jul-17

Attractive and proven business model

Plarium focuses on developing robust game 'engines' which form the foundation for future game development. This model has proven to be very successful

Portfolio approach to game development

- Multi-studio, multi-game portfolio strategy with five genre-specific game studios worldwide focused on developing new games and producing new content for existing titles
- Game portfolio strategy across multiple segments and game engines – focus on diversification away from single game dependency

Targets attractive segments

- Focuses on identifying and targeting most attractive genres
- Robust market and competitor analysis on key target genres, including Strategy, RPG and Casual

Games with proven monetisation across multiple themes

- Focused on a 'game engine' strategy (i.e. building successful game platforms) that can be "re-skinned" with new titles across different themes (e.g. Middle Ages, Modern Combat, Ancient Historical, Futuristic, etc.)
- Enables expedited roll out of games with a higher probability of success

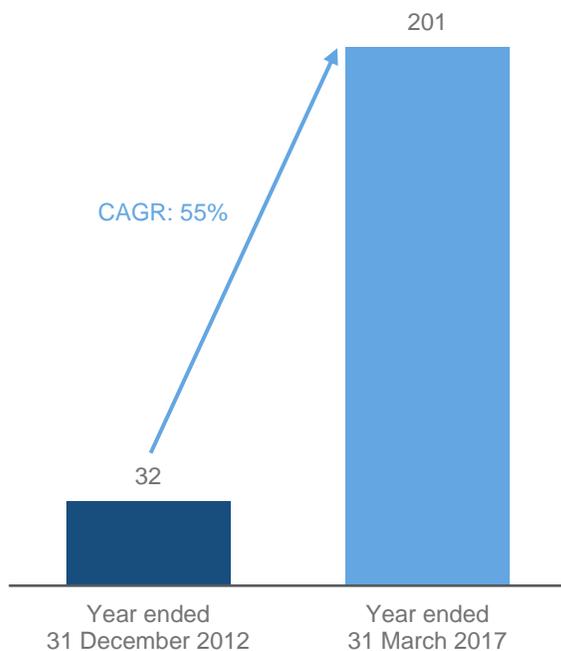
Track record of developing profitable games

- Proven track record of developing profitable games across platforms
- 9 key games currently monetising

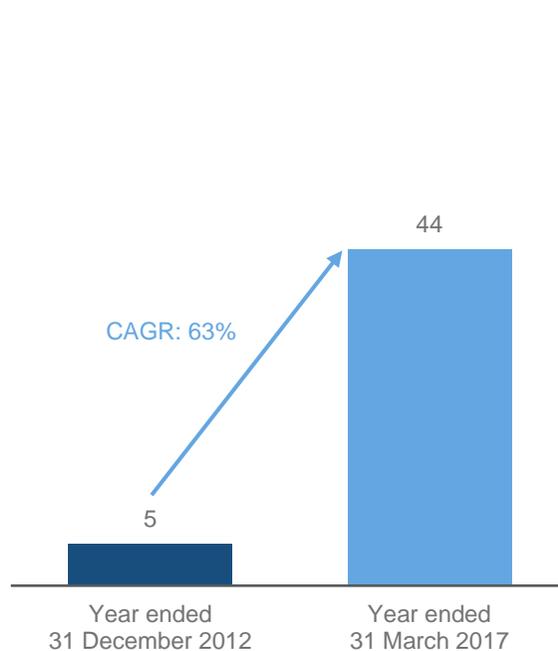
Plarium financial overview

Plarium has experienced significant growth in recent years

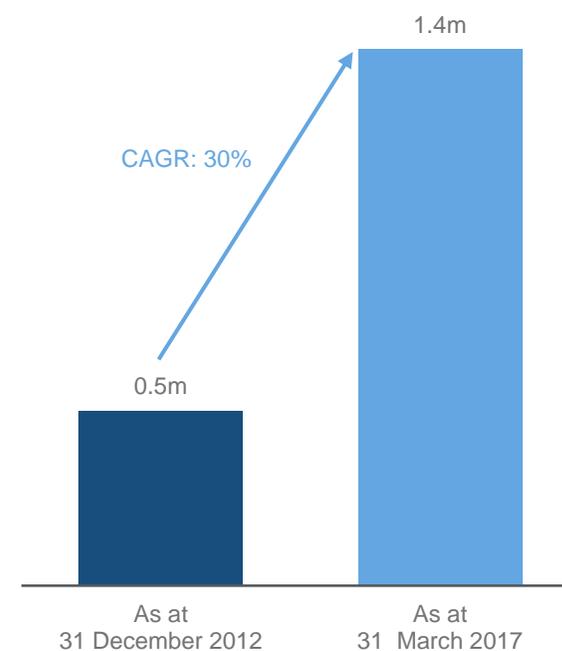
Adjusted revenue⁽¹⁾
(US\$m)



Adjusted EBITDA⁽¹⁾
(US\$m)



Total active depositors
(#)



Note:
(1) Plarium financial information presented on a bookings basis. See Appendix A for definitions of Adjusted revenue and Adjusted EBITDA.



Section 3

Strategic rationale

Strong strategic rationale

- A** Significantly expands Aristocrat's Digital addressable market into adjacent gaming segments
- B** Increases Aristocrat's exposure to the fast growing Digital market
- C** Proven content and ability to monetise social games
- D** Strong management team with global game development talent across multiple studios
- E** Operational parallels with Aristocrat's Digital business
- F** Attractive financial metrics, strong historical growth and expected to be EPSA accretive in year one
- G** Strong cultural alignment with Aristocrat

A Significantly expands Aristocrat's Digital addressable market

Strategic transaction expanding Aristocrat's addressable market into logical adjacent segments within the mobile gaming market

2016 mobile and web games market (US\$bn)



Potential to expand Aristocrat's total addressable market by c. 13x⁽²⁾

Immediately expands Aristocrat's total addressable market by c. 7x⁽³⁾

Pro forma target segments

Product Madness	Social Casino	<ul style="list-style-type: none"> Current offering via Product Madness
Plarium's current target segments	Strategy	<ul style="list-style-type: none"> Plarium's success to date has been within the Strategy segment Plarium has multiple Strategy games in its launch pipeline
	RPG	<ul style="list-style-type: none"> The RPG segment is attractive given its size and relative immaturity compared to other genres Plarium has multiple RPG games in its launch pipeline
	Casual	<ul style="list-style-type: none"> Top games within the Casual segment have experienced sustained success with respect to monetisation Plarium has recently launched a new Casual game and has multiple Casual games in its launch pipeline
Growth segments	Other	<ul style="list-style-type: none"> Plarium provides the platform from which to expand into further adjacent segments (e.g. Action)

Source: Newzoo.

Notes:

(1) Includes the mobile phone, tablet and PC-Browser game market as classified by Newzoo.

(2) Calculated as the potential increase in total addressable market from the Social Casino segment to the total mobile and web games market.

(3) Calculated as the potential increase in total addressable market from the Social Casino segment to include the Strategy, RPG and Casual markets.

(4) Social Casino segment defined as the Casino and Cards segment as classified by Newzoo. Based on Eilers & Krejcik, the estimated size of the Social Casino market was US\$3.8bn as at 2016.

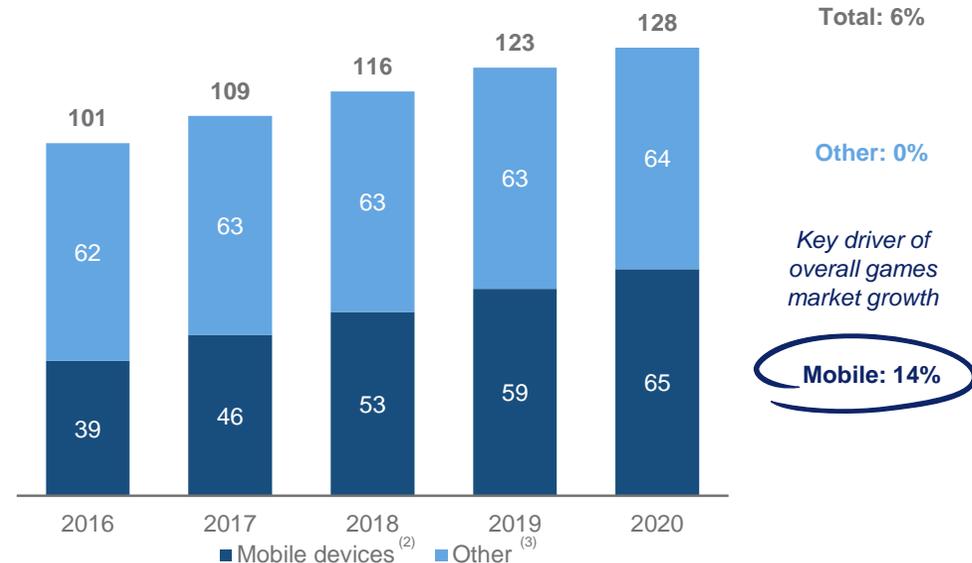
B Increases Aristocrat's exposure to the fast growing Digital market

The mobile games segment continues to grow rapidly and represents the fastest growing segment within the global games market

Fast growing mobile gaming segment

- Global games market projected to grow strongly to 2020
- Mobile games expected to be the largest driver of growth (14% CAGR from 2016-2020)

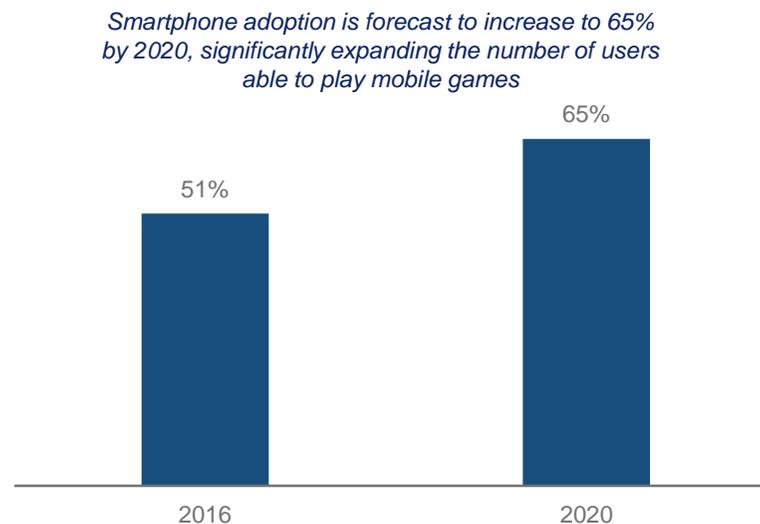
2016-2020 global games market revenue⁽¹⁾
(US\$bn)



Growth underpinned by global industry tailwinds

- Increasing mobile smartphone adoption
- Continued technological innovation
- Increasing broadband speeds
- Long standing player loyalty towards video gaming content

Global smartphone adoption (2016-2020)⁽⁴⁾
(% of global mobile connections)



Source: Newzoo, GSMA Intelligence | The Mobile Economy 2017.

Notes:

- (1) Newzoo forecasts.
- (2) Includes mobile phones and tablets.
- (3) Other includes PC and console devices.
- (4) GSMA Intelligence forecasts | The Mobile Economy 2017.

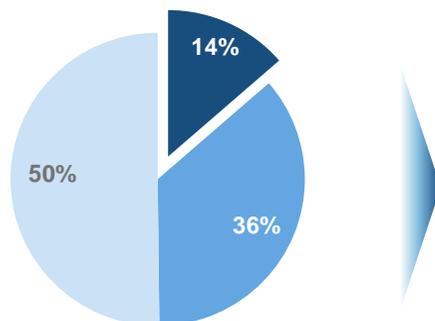
B Increases Aristocrat's exposure to the fast growing Digital market (cont.)

The acquisition of Plarium materially expands Aristocrat's Digital footprint with pro forma Digital revenue contribution increasing from 14% to 22%

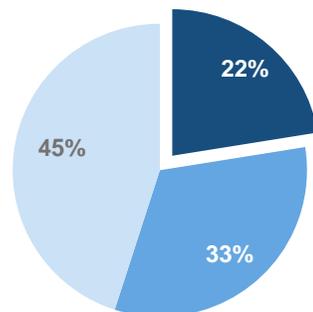
Increased exposure to Digital gaming

Revenue by Strategic Segment (12 months ended 31 March 2017)⁽¹⁾

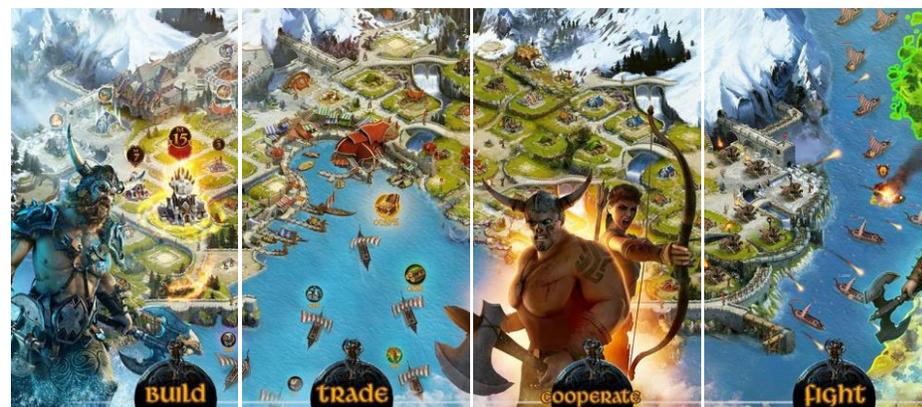
Aristocrat standalone
(A\$2,347m)



Aristocrat pro forma
(A\$2,615m)



- Digital
- Gaming Operations
- Class III Outright Sales & Other



Note:

(1) Pro forma revenue includes full year contribution of Plarium for 12 months ended 31 March 2017. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

C Proven content and ability to monetise social games

Plarium has proven in-house content development capabilities. Its content is highly complementary to Aristocrat's existing social casino games

Proven content and monetisation

- ✓ Plarium has **proven social mobile gaming content** based on 'game engines' **developed in-house**
- ✓ **Diversified portfolio of 'hit games'** (>\$1m revenue per game / month) with proven expertise in FTP Strategy games
- ✓ Plarium has a number of key titles which have **repeatedly ranked in the top 10 grossing Strategy games** since launch in certain key target markets⁽¹⁾
- ✓ **Proven monetisation with attractive ROI** on user acquisition spend

Complementary content to Product Madness

- ✓ Plarium's content is **highly complementary to Aristocrat's existing social casino content**
 - *Game functionality*: social casino content has started to include more entertainment and meta-game elements, similar to the functionality seen in casual games
 - *Accessibility*: social casino and social game content is available on the same devices. Commonality in technology platforms across Plarium and Aristocrat
 - *User characteristics*: both genres have highly engaged users, typified by higher than average game play per week against other mobile gaming genres
 - *User demographics*: complementary demographic appeal with social gaming appealing to a broader demographic relative to social casino

Note:

(1) Game ranking sourced from App Annie. Based on top grossing Strategy games on Apple iOS and Google Play.

D Strong management team with global game development talent

Plarium has a proven management team that has rapidly grown the company and has established Plarium as an employer of choice in low-cost jurisdictions

Proven management team and significant global talent

Proven management team

✓ Plarium has a **market leading management** team who have **grown their business from a standing start to US\$201m in revenues⁽¹⁾**

✓ Key management who have entered into retention arrangements have over **95 years of combined experience** at Plarium

Significant global talent

✓ **Established employer of choice** operating in **global technology hubs** with access to low cost talent

✓ **Over 1,200 employees** across **five genre-specific studios** as well as multiple offices throughout Europe, Israel and the US

✓ Complete **in-house** game design, creative, art, programming, video, sound and supporting functions

Management retention

- Avraham Shalel and 12 other key members of Plarium's management team have agreed to retention and deferred consideration arrangements with Aristocrat, including deferring a portion of their upfront consideration until end of calendar year 2020. They have also agreed to non compete arrangements
- Plarium will be managed as a standalone operation and current CEO, Avraham Shalel, will continue to lead Plarium post acquisition. He will report to Aristocrat's CEO and Managing Director, Trevor Croker

Note:

(1) For the 12 months ended 31 March 2017. Plarium financial information presented on a bookings basis.

E Operational parallels with Aristocrat's Digital business

Plarium and Aristocrat's Product Madness business have a number of notable operational parallels, particularly with respect to approach and business model

Operational comparison

	 An ARISTOCRAT Company		Aligned	
Approach	Target segment	Mobile and Social Games: Casino	Mobile and Social Games: Strategy, RPG, Casual	✓
	Product strategy	Multi-app	Multi-app	✓
	Market entry	Robust market and competitor analysis to determine attractiveness of new segment	Robust market and competitor analysis to determine attractiveness of new segment	✓
Business Model	Platforms	iOS, Android, Facebook	iOS, Android Social and browser capability	✓
	Game development platform	Unity	Unity	✓
	Monetisation model	FTP with in-app purchases	FTP with in-app purchases	✓
	Revenue drivers	Paying Users: Installs, Retention, Conversion Monetisation	Paying Users: Installs, Retention, Conversion Monetisation	✓
	User Acquisition benchmarks	Focus on return hurdles (LTV)	Focus on return hurdles (ROI)	✓
	Key KPIs	DAU, MAU, ARPPU, ARPDAU	DAU, MAU, ARPPU, ARPDAU	✓

E Product Madness – Case study

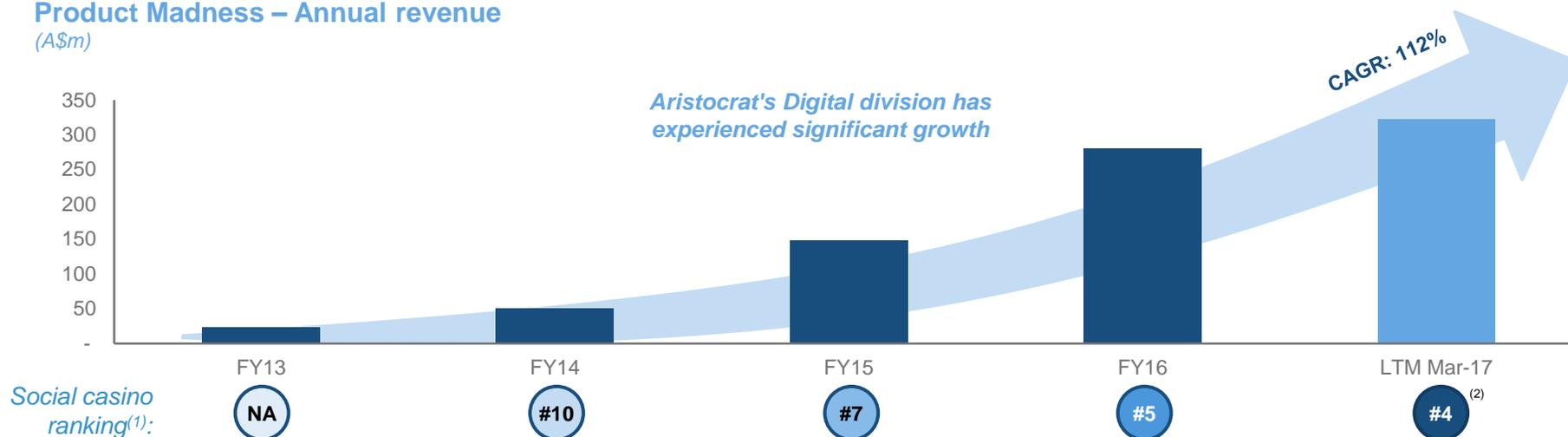
Product Madness was Aristocrat's beachhead into social casino gaming and was a resounding financial and operational success. Similarly, the acquisition of Plarium provides a platform to expand into adjacent segments

Product Madness acquisition

- In 2012, Aristocrat acquired Product Madness, a founder-led social casino gaming company
- The founders and key personnel were retained as part of the transaction to lead Aristocrat's Digital business
- Aristocrat utilised Product Madness as a platform to expand into the social casino market, a logical adjacent segment
- Product Madness' growth accelerated with the benefit of access to Aristocrat resources, distribution, technology capability and content
- Product Madness is now one of the top 5 social casino gaming publishers globally by revenue

Product Madness – Annual revenue

(A\$m)



Source: Eilers & Krejcik | Social Casino Gaming Tracker – 2Q17. Aristocrat company filings.

Notes:

(1) Global social casino publisher ranking by revenue as per Eilers & Krejcik analysis.

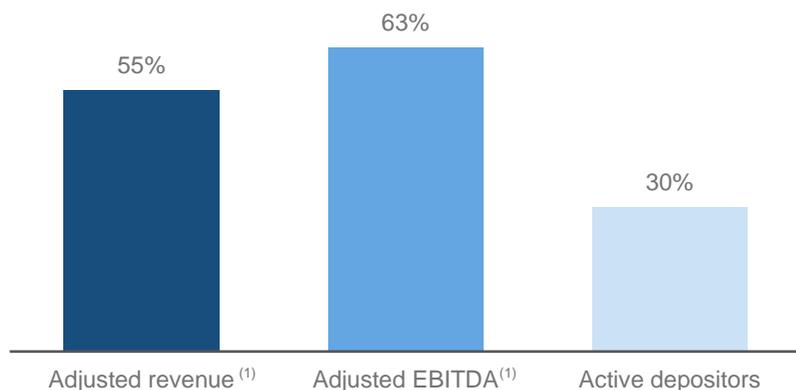
(2) Product Madness is currently ranked #5 due to recent industry consolidation.

F Attractive financial metrics, strong historical growth and EPSA accretive

The acquisition of Plarium is expected be EPSA accretive in year one and will expand the proportion of Aristocrat's recurring revenues

Attractive financial metrics

Plarium historical CAGR (CY12 to 12 months ended 31 March 2017) (%)

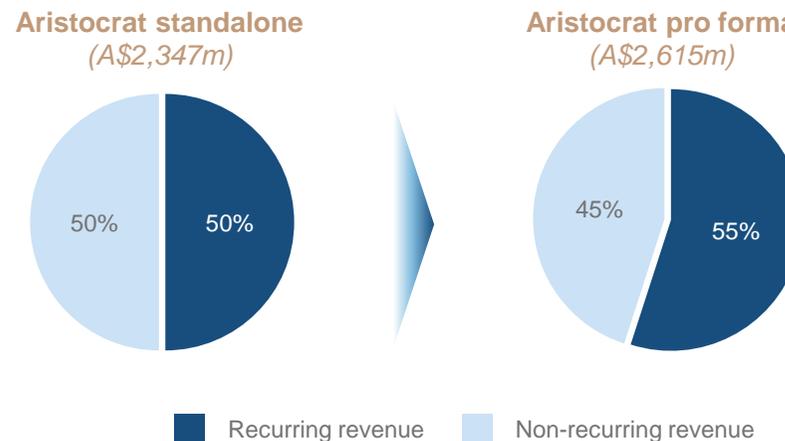


Cash flow and earnings accretive in year one of acquisition

- Plarium is expected to contribute strong operating cash flows
 - Acquired cash flow allows for future investment in Digital and other accretive organic and inorganic growth opportunities
- The transaction is expected to be EPSA accretive in year one of acquisition⁽²⁾

Expands proportion of Aristocrat's recurring revenues

Operational revenue breakdown (12 months ended 31 March 2017)⁽³⁾



Recurring in nature

- Franchise title revenues have recurring revenue attributes due to the stickiness of the content / user engagement and ability to monetise cohorts over multiple years

Notes:

(1) Plarium financial information presented on a bookings basis.
 (2) Pro forma EPSA accretion for FY18 assumes full year contribution of Plarium. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.
 (3) Pro forma revenue includes full year contribution of Plarium for 12 months ended 31 March 2017. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

G Strong cultural alignment with Aristocrat

There is strong cultural alignment between Aristocrat and Plarium with a common focus on producing the world's best gaming content

- Common focus on producing the world's best gaming content
- Common aspiration to become a global leader in social gaming, particularly in key target segments
- Focused on leveraging Aristocrat's financial and operational resources in order to further grow the business
- Employer of choice in key regions attracting the world's best game development talent
- High performance culture



Section 4
Funding

Acquisition funding details

Acquisition funding details

Purchase price	<ul style="list-style-type: none"> Upfront cash consideration of US\$500 million (A\$667 million⁽¹⁾) Additional cash consideration at end of calendar 2017 and 2018 based on 10x LTM EBITDA (at year end, less consideration already paid)
Debt	<ul style="list-style-type: none"> Incremental US\$425 million 7 year Term Loan B The US Term Loan B market offers long term, covenant light, flexible financing
Credit rating	<ul style="list-style-type: none"> Aristocrat remains committed to targeting metrics consistent with an investment grade credit rating

Sources and uses⁽¹⁾

Sources	US\$m	A\$m
Existing cash	92	122
Incremental TLB debt	425	567
Total sources	517	689

Uses	US\$m	A\$m
Upfront cash consideration	500	667
Transaction costs	17	22
Total uses	517	689

Pro forma balance sheet as at 31 March 2017^{(1),(2)}

A\$m	Aristocrat	Plarium	Adjustments	Aristocrat pro forma
Cash and cash equivalents	395	-	(122)	273
Total existing debt	1,228	-	-	1,228
Incremental TLB	-	-	567	567
Net debt	833	-	689	1,522
EBITDA	933	58	-	990
Net debt / LTM EBITDA	0.9x	-	-	1.5x

Notes:

(1) Financial information converted at AUD:USD exchange rate of 0.75 where applicable.

(2) Pro forma EBITDA includes full year contribution of Plarium for 12 months ended 31 March 2017. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.



Section 5
Conclusion

Strong strategic rationale

- ✓ Significantly expands Aristocrat's Digital addressable market into adjacent gaming segments
- ✓ Increases Aristocrat's exposure to the fast growing Digital market
- ✓ Proven content and ability to monetise social games
- ✓ Strong management team with global game development talent across multiple studios
- ✓ Operational parallels with Aristocrat's Digital business
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Q&A





Appendix A
Glossary of terms

Glossary of terms

A\$	Australian dollar	FTP	Free-To-Play
Active depositors	A player that was active during a calendar month and who made deposits prior to that calendar month	FY18	Financial year ending 30 September 2018
Addressable market	Size of the market available, by revenue	iOS	Operating system used for mobile devices manufactured by Apple Inc.
Adjusted EBITDA	EBITDA reported consistent with Aristocrat reporting, adjusted to include the net change in deferred revenue (net of change in deferred platform fees) as per adjusted revenue description	KPI	Key Performance Indicator
Adjusted revenue	Revenue net of platform fees and adjusted to include the change in deferred revenue (net of change in deferred platform fees) to present on a bookings (cash) basis	LTM	Last Twelve Months
ARPPU	Average Revenue Per Daily Active User	LTV	Life Time Value
ARPPU	Average Revenue Per Paying User	MAU	Monthly Active Users (i.e. the number of unique players within a month that were active on the game at least once during that month)
Bookings basis	See Adjusted revenue and Adjusted EBITDA	ROI	Return on Investment
CAGR	Compound Annual Growth Rate	RPG	A Role Playing Game. A game that focuses on the advancement of a main character, acquisition of items and has an over-arching storyline
Casual game	A game that is characterised by easy gameplay where players can play infrequently or on a spontaneous basis	Strategy game	A game that requires players to combat against one another, utilising skilful planning and tactical thinking
DAU	Daily Active Users (note that 'Active' means a player had at least one game session during the day)	TLB	Term Loan B debt
EBITDA	Earnings before interest, tax, depreciation and amortisation	US\$	US dollar
EPSA	Fully diluted Earning Per Share (EPS) before amortisation of acquired intangibles		



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