

18 November 2020

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Aristocrat Leisure Limited (ALL)

Consumer Services

HOLD

ALL A\$34.10

TARGET PRICE A\$32.08

Aristocrat designs, develops, manufactures and markets a diverse range of products and services including electronic gaming machines, casino management systems, and digital social games.

Company Data

Number of shares	638.5M
Market Capitalisation	\$21,269.9M
Free float (%)	88.6
12-month high/low	\$37.69/\$15.44
Average Daily Turnover (\$m)	69.4968
% S&P/ASX200	1.18%
DDM Ranking	250
% All Ordinaries	N/A

GICS Industry Group

Consumer Services

Source: FactSet, Barclay Pearce Capital

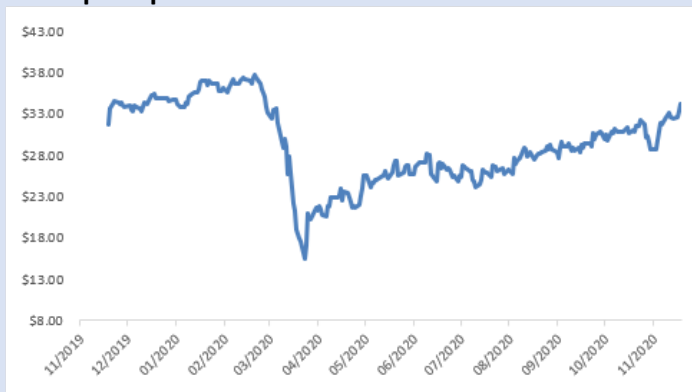
Earnings Summary (AUD)

Year end September	2020A	2021F	2022F	2023F
Revenue (\$M)	4,139.1	4,567.1	5,264.3	5,454.9
EBITDA (\$M)	1,089.4	1,418.1	1,773.7	1,885.8
Reported NPAT (\$M)	357.1	626.1	907.6	927.3
Adjusted NPAT (\$M)	476.6	755.1	1,038.2	1,074.6
Reported EPS (c)	56.0	100.3	147.8	176.4
Adjusted EPS (c - FD)	74.7	116.1	160.2	168.3
Adjusted EPS growth (%)	-0.5	58.7	38.0	5.0
Adjusted P/E (x)	44.6	28.7	20.8	21.1
Dividend (c/sh)	10.0	45.1	67.2	68.9
Gross yield (%)	0.1	1.3	2.0	2.0
Net yield (%)	0.3	1.3	2.0	2.0
ROIC (%)	9.1	14.2	20.0	24.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Announces FY20 Full Year Results

On 18 November 2020, Aristocrat Leisure Limited (ASX:ALL) today announced its financial results for the year ended 30 September 2020 with the following highlights:

Financial Result Snapshot:

- Normalised profit after tax and before amortisation of acquired intangibles (NPATA) of \$476.6m represents a decrease of 46.7% in reported terms, compared to the pcg;
- Group revenue decreased 5.9% to \$4.1b, reflecting a 32% decrease in Aristocrat Gaming (Land-based) revenue;
- EBITDA was 32% lower than the pcg, at \$1,089.4m;
- Operating cash flows decreased 5.8% to \$1,022.9m; and
- Group's balance sheet remained strong with net leverage maintained at 1.4x.

Operational highlights:

- **Aristocrat Gaming**
 - ALL's Class III premium and Class II installed bases grew 5.9% and 0.3% respectively; and
 - Aristocrat's market-leading average adjusted fee per day increased 1.1% to US\$51. On an unadjusted basis, the average fee per day was just above US\$35.
- **Aristocrat Digital**
 - Aristocrat Digital delivered double-digit growth in bookings, revenue and profit;
 - RAID: Shadow Legends™ continued its impressive growth trajectory – generating US\$368m in bookings;
 - Aggressive investment in User Acquisition was maintained to support growth, with total UA spend increasing 1.7 percentage points to 28% of Digital revenue; and
 - Average Bookings Per Daily Active User grew almost 44% to US\$0.59.

Outlook:

ALL plans for continued growth in the 2021 full fiscal year, reflecting the following:

- Maintained or enhanced market-leading positions in Gaming Operations;
- Sustainable growth in floor share across key Gaming Outright Sales markets globally;
- Further growth in Digital bookings, with User Acquisition (UA) spend expected to remain between 25% and 28% of overall Digital revenues;
- Continued D&D investment to drive sustained, long term growth, with investment likely to be modestly above historic levels, on a percentage of revenue basis; and
- An increase in SG&A across the business, as we continue to scale and deliver our growth strategy.

Earnings changes

ALL's adjusted FY20 NPAT of \$476.6m is 1.8% higher than market expectations for the full year FY20 of \$468.2m. Also, ALL's adjusted EPS of 74.7c is 5.2% higher than market expectations of 71c. Hence, we expect positive earnings revisions in the order of 3% for future periods.

We are initiating on ALL with a 12-month price target of A\$32.08 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Barclay Pearce Capital Recommendation Proportions

Buy	41.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)