

19 May 2022

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## Aristocrat Leisure Ltd (ALL)

Consumer Discretionary

BUY

ALL A\$31.60

TARGET PRICE A\$38.24

Aristocrat Leisure is responsible for the design, development and distribution of gaming content, platforms and systems, including electronic gaming machines, casino management systems and digital social games.

### Company Data

Number of shares	669.6M
Market Capitalisation	\$21,160.1M
Free float (%)	89.0
12-month high/low	\$48.64/\$30.58
Average Daily Turnover (\$m)	98.42
% S&P/ASX200	0.997%
DDM Ranking	170
% All Ordinaries	0.778%

GICS Industry Group Consumer Services

Source: FactSet, Barclay Pearce Capital

### Earnings Summary (AUD)

Year end September	2021A	2022F	2023F	2024F
Revenue (\$M)	4,736.6	5,276.9	5,601.1	5,896.6
EBITDA (\$M)	1,540.0	1,962.1	2,152.6	2,289.2
Reported NPAT (\$M)	820.0	1,030.5	1,217.5	1,331.9
Adjusted NPAT (\$M)	864.7	1,127.6	1,287.3	1,404.8
Adjusted EPS (c - FD)	135.1	172.1	194.4	214.2
Adjusted EPS growth (%)	81.5	17.4	14.2	11.2
Adjusted P/E (x)	23.4	22.2	19.7	17.9
Dividend (c/sh)	39.8	67.3	78.4	88.5
Gross yield (%)	1.3	2.1	2.5	2.8
Net yield (%)	1.3	2.1	2.5	2.8
ROIC (%)	16.9	22.7	26.1	28.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

### Share price performance



Source: FactSet, Barclay Pearce Capital

## 1HFY22 Financial Results

On 19th May 2022, Aristocrat Leisure Ltd (ALL) announced its 1HFY22 Report with the following highlights:

### Financial Highlights:

- Operating revenue \$2,7545.4m, up 23.1% 1HFY21;
- Reported EBITDA \$970.3m, up 30.3% from 1HFY21;
- Reported NPAT \$513.0m, up 48.1% from 1HFY21;
- Fully diluted EPS 80c, up 40.8% 1HFY21;
- Interim dividend 26c (May 27 2020);
- Strong product performance and FY21 inventory position deliver margin expansion in Gaming;
- Continued organic investment – User Acquisitions (UA) and Design & Development;
- Strong operating cash flow and cash generation;
- Strong balance sheet, low leverage and ample liquidity for continued investment;
- Increase in operating cash flow reflects strong business performance and cash generation;
- Increase in working capital reflects the reduction in payables and increased inventory levels in response to supply chain disruptions;
- Increase in interest and tax reflects higher tax payments due to improved business performance, timing of tax payments and increased funding costs associated with the process Playtech transaction;
- Increased CAPEX relates primarily to Gaming Operations installed base growth;
- Funding for the proposed Playtech transaction included ~\$64 million for FX hedging classified in Investing cash flow and ~\$30 million in Operating cash flow;
- Major financing activities include the \$683 million repayment to Term B debt and \$1.3 billion equity raising activities associated with the proposed Playtech transaction;
- Continued strong business performance in Aristocrat Gaming and Pixel United drives cash flow generation and de-leveraging;
- Free cash flow funds growth investment (organic and inorganic);
- Balance sheet flexibility to pursue M&A and growth initiatives;
- Cash returns to shareholders via dividends (discretionary dividend policy with periodic review) and up to \$500 million On-market share buy-back program.

### Outlook:

- Continued market-leading positions in Gaming Operations, measured by the number of installed machines and fee per day;
- Sustainable growth in floor share across key Gaming Outright Sales market globally including new adjacencies.

## Earnings changes

For 1HFY22, ALL reported NPAT of \$513.0m compared to market expectations of \$466.6m. Hence, we expect positive earnings changes of 10% for FY22 and future periods.

## Valuation

We are updating our 12-month target price from \$36.65 to \$38.24 and updating our recommendation from HOLD to BUY. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. 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 2021 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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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**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.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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**Barclay Pearce Capital Recommendation Proportions**

Buy	40.7%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.4%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	35.9%	( 0.0% of stocks with recommendations are Barclay Pearce clients)