

Trending better or worse?

From July to Early October - 11th Annual Survey Measures Twice and Cuts Once

Our 11th Annual J.P. Morgan Slot survey was conducted over two periods: first in July to collect data points, and again this month to determine a trend line for the period to early October. We focused on COVID-19 implications and impacts in addition to standard performance questions from years' prior. Findings are split into four categories: **1) COVID-19 observations and new trends; 2) slot market headwinds & tailwinds; 3) competitive landscape; and 4) company-specific analysis.** Key observations, charts and details overleaf:

- Venue operators were generating 48% of 2019's revenue in July; **in our October survey we saw a material step up to 72% of 2019's revenue.**
- **In July, 48% of operators expected revenues to take "12 to 24 months to recover"; sentiment has now improved where only 21% of operators believe it will take that long...** due to 42% of respondents expecting normal revenues in "less than 6 months" (up from only 6% in July).
- **No change to current staffing levels/employed** (remaining ~77% of 2019 levels) across our July and October surveys. This could represent the rough percentage for fit-to-fight staffing in the new-normal. However...
- **Improving expectations for returning staff levels.** In July, 32% of operators expected staffing levels to take "12 to 24 months to recover". This has improved to 17% in October, due to 31% now expecting "6 to 12 months" in October (versus only 20% in July).
- **Average venue visitation levels in July were between 72-77% on weekdays & weekends, respectively; we were surprised by the decline to 55% on average in October, despite the VIC lockdowns.**
- **Venue operators believe attracting new customers has become a bigger challenge** with 47% of respondents in July increasing to 62% in October.
- **62% of slots were "on" in October, this has trended down from 71% of venue operators saying 50% or more of slots were active in July.**
- **We've seen a significant step in COVID-19 safe plans implemented across venues in October.** "Signage-use" increased 33% and "EGMs rearranged/moved" increased 27% vs July. Gaming floors are prepared.
- **Venue operators expect 58% of normal conversions and 43% of normal replacements relative to last year.** Operators are remaining cautious on spend due to restrictions and cash flow management.
- **55% of casinos and pubs estimate spend per customer has increased (+18% vs 2019).** This is consistent with our views in our previous [note](#) and press articles [here](#) and [here](#) discussing slot spend trends being significantly higher due to pent-up demand from COVID-19 restrictions.
- **Aristocrat products occupy ~56% of venue floors.** ~77% of operators noted Aristocrat's game library had improved or remained stable.

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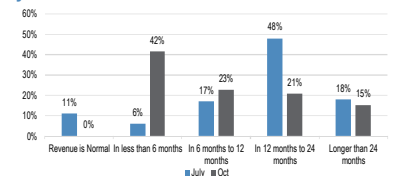
J.P. Morgan Securities Australia Limited

Table 1: Manufacturer allocation on a Greenfield has Aristocrat as top pick followed by IGT and Scientific Games

	% of respondents			
	2017	2018	2019	2020
IGT	7.5%	12.5%	14.3%	12.2%
Aristocrat	62.5%	58.5%	53.3%	56.4%
Scientific Games	12.2%	12.3%	12.5%	10.8%
Konami	5.0%	5.0%	8.1%	9.7%
Ainsworth	10.6%	13.7%	9.2%	9.3%
Other	2.2%	4.6%	5.2%	6.5%

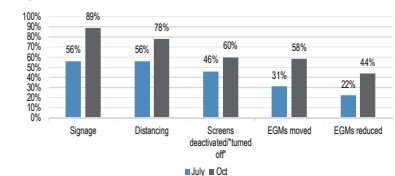
Source: J.P. Morgan.

Figure 1: When will revenues return to last year's levels?



Source: J.P. Morgan.

Figure 2: Slot related actions due to COVID-19



Source: J.P. Morgan.

See page 27 for analyst certification and important disclosures, including non-US analyst disclosures.

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Executive Summary

This report details the results of our 11th Annual J.P. Morgan Slot survey, with a particular focus on the ANZ market (pubs/clubs/hotels/casinos) conducted over two periods. The first was conducted in July (not published) to collect data points. The second survey we conducted as a follow-up in October to **determine trends versus data-point snapshots**. We chose to focus on COVID-19 implications and impacts in addition to standard performance questions from years' prior. Findings are split into four categories: **1) COVID-19 observations and new trends; 2) slot market headwinds & tailwinds; 3) competitive landscape; and 4) company-specific analysis.**

COVID-19 observations and new trends:

As noted in the Australian Institute of Family Studies report ([here](#)), it comes as no surprise COVID-19 has made an impact on gambling. What surprised us from the government's diligence, however, was: **1)** 1 in 3 participants signed up for a new online betting account during COVID, and 1 in 20 started gambling online; **2)** the proportion of respondents gambling 4 or more times a week increased from 23% to 32%; and **3)** men (aged 18-34) increased monthly wagering by +56% from \$687 to \$1,075. We have written on this unfolding in wagering results and lotteries ([here](#), [here](#), and [here](#)), with some venues performing phenomenally otherwise. Key takeaways from this report are as follows:

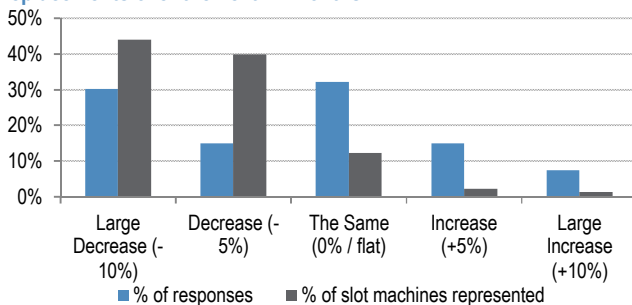
- **Revenues relative to 2019** - Venue operators were generating 48% of 2019's revenue in July; however, in our October survey we saw a material step up to 72% of 2019's revenue. VIC operators have been the hardest hit in terms of revenue reduction.
- **When will revenues match 2019 levels** - In July, 48% of venues reported expecting revenues returning to 100% of 2019's levels in "12 to 24 months", vs 21% in October. However, this has significantly shifted to "in less than 6 months", with 42% of operators expecting this in October vs 6% in July (very optimistic, in our view).
- **Employment relative to 2019** - We have not observed any changes in staff employed relative to 2019 levels across our July and October surveys (remains at 77%); this is surprising as more venues have opened in states outside of VIC. We expect this level to rise once VIC reduces its restrictions.
- **When employment matches 2019 levels** - In July, 35% of venue operators expected levels to return back "in less than 6 months" vs 40% in October. For the period "6 to 12 months", operators expected 20% in July vs 31% in October.
- **Visitation** - In July, we saw visitation was ~72% of 2019's levels on average on weekdays and on weekends it was higher at ~77% on average. While VIC skews the data due to lockdowns, we were surprised by visitation being significantly lower at 55% of 2019's levels in October.
- **Challenges** - We've noticed a material decline in cancellations at venues being a challenge now (as restrictions have improved), from 89% of operators in July to 11% in October. However, attracting new customers has become more of a problem, from 47% of respondents in July to 62% in October.
- **Actions taken** - We've seen a significant step in all COVID-19 safe plans implemented across venues in October. Signage use increased 33% and EGMs moved increased 27%.

- **Learnings** - Suspension of entertainment, increases in online platforms, and a movement to home delivery were the key learnings.
- **Slots active** - 62% of slots were "on" in October, this has trended down from 71% of venue operators noting 50% or more of slots were active in July.
- **Conversions and replacements** - Venue operators expect 58% of conversions and 43% of replacements relative to last year.

Slot market headwinds & tailwinds:

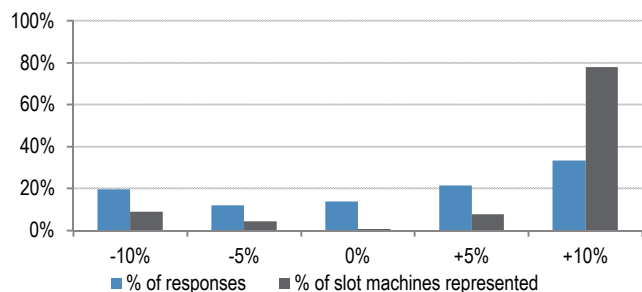
- **Decrease spend on replacements** -32% of casinos and pubs (down from 50% in 2019) report they will maintain spend on replacements, indicating operators are remaining quite cautious on spend levels due to COVID-19. 23% (down from 37% in 2019) intend to increase spend while **45% (up from 13% in 2019) intend to decrease their replacement budget.**
- **Maintain spend on conversions** - 42% of slot count-weighted responses show a tendency to increase (down from 78% in 2019) and **53% intend to remain the same (up from 21% in 2019).** Conversions is seen as a strong cost focus from casinos and pubs as they serve an efficient way for operators to update their floors.
- **Spend per customer has increased** - 32% of casinos and pubs estimate spend per customer has decreased (50% in 2019), 14% estimate flat (18% in 2019) and **55% estimate an increase (32% in 2019).** The smaller operators (~5% of slot machines represented) estimate flat to -5% decline in customer spend while larger operators (~86% of slot machines represented) estimate a 10% increase in customer spend.

Figure 3: Casinos and pubs will largely decrease spend on replacements over the next 12 months



Source: J.P. Morgan.

Figure 4: Slot players appear to be spending more per person



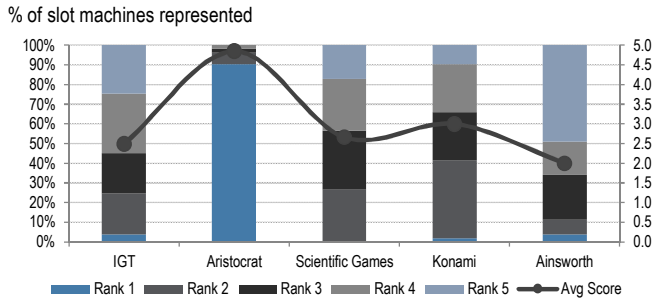
Source: J.P. Morgan.

- Operators are remaining quite cautious on replacement and conversions spend due to COVID-19 and various restrictions.
- **Slot players appear to be spending more per person** (consistent with our views in our previous [note](#) and press articles [here](#) and [here](#) discussing slot spend trends being significantly higher due to pent-up demand from COVID-19 restrictions).

Competitive & company-specific analysis:

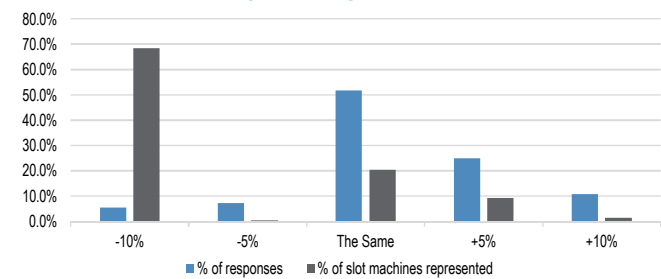
Aristocrat remains the market leader in the Australian market, and earned an overwhelming majority of top ranks in our survey in terms of performance and share gains. When weighted based on the rankings assigned, IGT and Scientific Games were the next best performers, with IGT getting the most #2 ranks and Scientific Games receiving #3, followed by Konami at #4 and Ainsworth #5.

Figure 5: Survey participants ranked Aristocrat as the top performing slot manufacturer



Source: J.P. Morgan. Avg Score (#1=5, #2=4, #3=3, #4=2, #5=1)

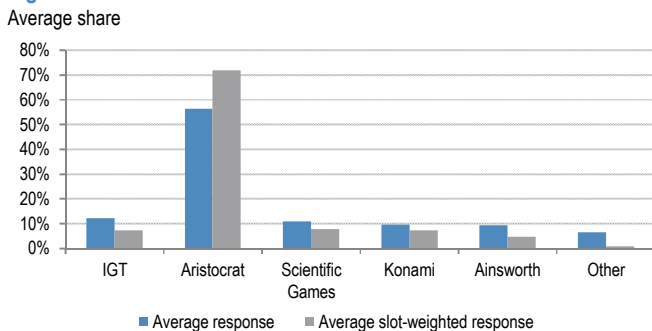
Figure 6: Casinos and pubs intend to increase the proportion of Aristocrat on their floor by an average +1.4%



Source: J.P. Morgan.

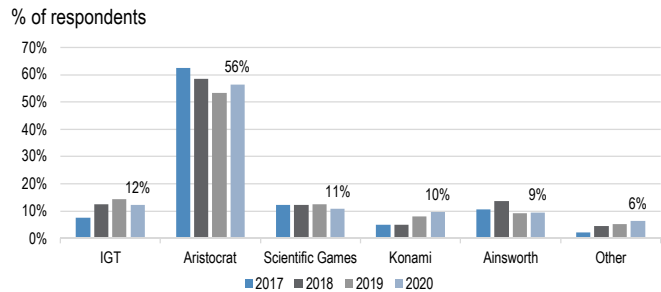
Aristocrat is a clear leader and venues are willing to acknowledge (and, most importantly, **pay**) for this performance. Aristocrat products occupy ~56% of floors. ~77% of respondents noted Aristocrat's game library was the same or had improved.

Figure 7: Allocation between manufacturers on a new floor in 2020



Source: J.P. Morgan.

Figure 8: Shift in allocation to manufacturer over time – Aristocrat dominates



Source: J.P. Morgan.

Aristocrat is the top pick of a Greenfield floor, followed by IGT and Scientific Games. Generally this indicates the share allocation of purchasing behavior (for outright sales).

Table 2: Manufacturer allocation on a Greenfield

	% of respondents			
	2017	2018	2019	2020
IGT	7.5%	12.5%	14.3%	12.2%
Aristocrat	62.5%	58.5%	53.3%	56.4%
Scientific Games	12.2%	12.3%	12.5%	10.8%
Konami	5.0%	5.0%	8.1%	9.7%
Ainsworth	10.6%	13.7%	9.2%	9.3%
Other	2.2%	4.6%	5.2%	6.5%

Source: J.P. Morgan.

We are pleased to have the support of [The Drop](#), [Forecast](#), and [Asia Gaming Brief \(AGB\)](#) within this report. The Drop was a key contributor behind connecting us with its gaming network and promoting the survey in ANZ. Forecast's analytics, modelling and data mining tools were very helpful in presenting the data and insights in an effective manner with key trends. The strength of AGB's distribution network and reach across ANZ was a key enabler behind reaching our survey respondents.

COVID-19 Observations & Recovery Trends (3QCY20)

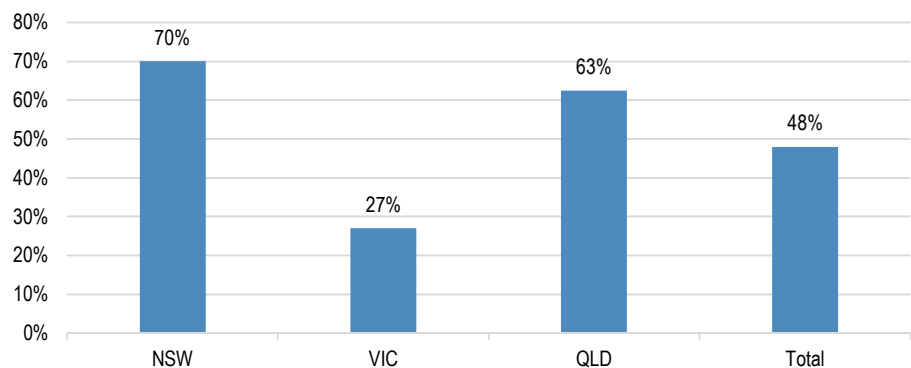
In this section, we discuss how COVID-19 has affected the operating environment and trends arising as a result. These observations are more potent than a standard snapshot survey, in being contextualized with a trend line from the first survey conducted in conjunction with AGB and Forecast from ~2 months ago.

What % of revenue is being generated relative to pre-lockdown/last year?

In our October survey we saw a material step up to 72% of 2019's revenue (+24% increase).

Venue operators said they generated ~48% of 2019's revenue in July; however, **in our October survey we saw a material step up to 72% of 2019's revenue (+24% increase).** VIC operators have been the hardest hit in terms of revenue reduction.

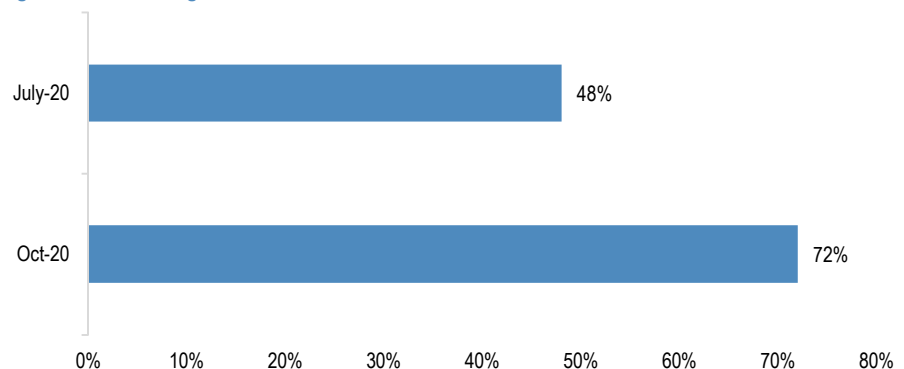
Figure 9: July 20 revenue relative to the pcp



Source: J.P. Morgan and Forecast. Note: When this survey was conducted VIC was experiencing a second wave of COVID-19 and was in stage 4 lockdown in Melbourne.

Overall, we saw a 24% increase in revenue generation matching 2019 levels from July to October.

Figure 10: Revenue generation in current environment



Source: J.P. Morgan and Forecast.

When will revenues return to 100% of last year?

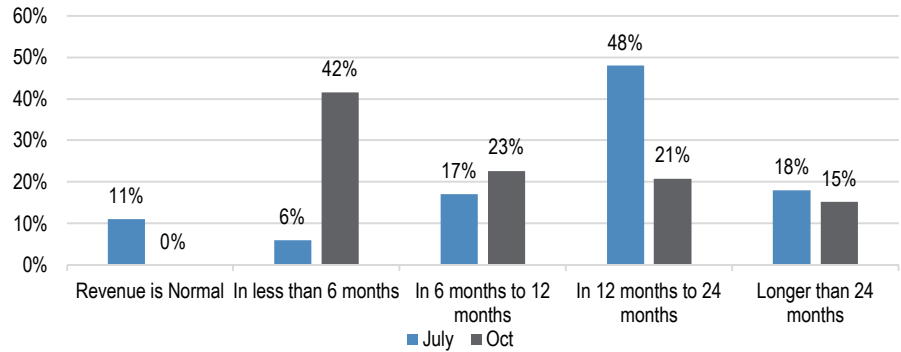
In July, we saw 48% of venues expecting revenues would return to 100% of 2019's levels "in 12 to 24 months", **this has now significantly shifted in October's survey**

to: **“in less than 6 months” (very optimistic in our view)**. Aside from some VIC COVID-19 cases reducing (venues still not re-opened), we are surprised by this significant change from 12-24 months to less than 6 months.

Sentiment has become more positive for returning to normal.

Sentiment has become more positive for returning to normal.

Figure 11: When will revenues return to last year’s levels



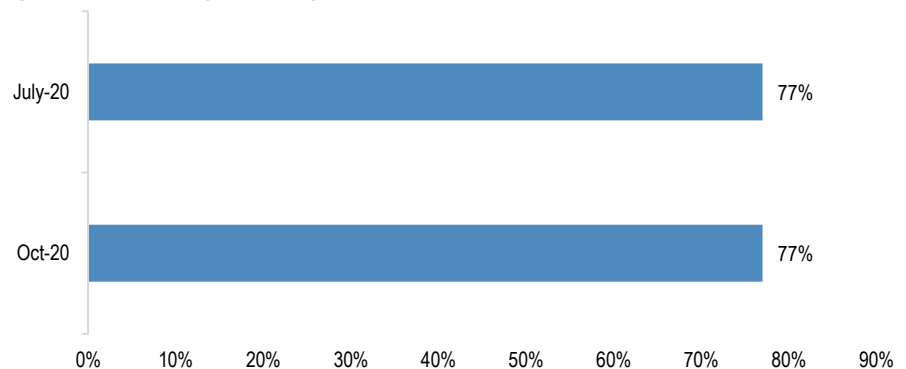
Source: J.P. Morgan and Forecast.

What % of staff are employed compared to last year?

We have not observed any changes in staff employed vs 2019 levels (remains at 77%) across our July and October surveys.

We have not observed any changes in staff employed vs 2019 levels (remains at 77%) across our July and October surveys, this is surprising as more venues have opened in states outside of VIC. We expect this level to rise once VIC reduces its restrictions.

Figure 12: Staff employed vs last year



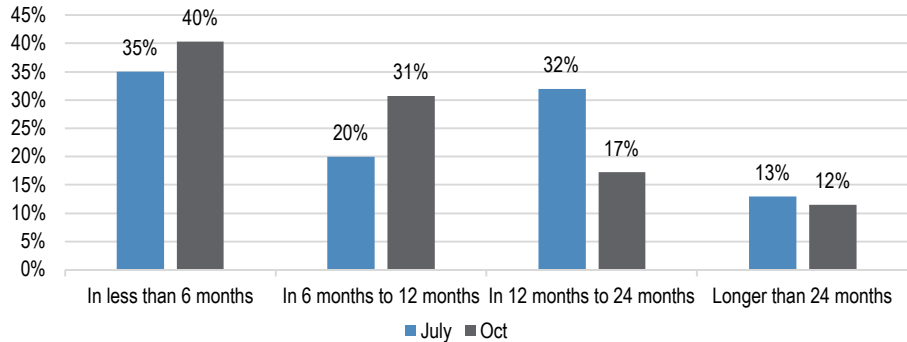
Source: J.P. Morgan and Forecast.

When will staff levels return to last year’s levels?

In July, 35% of venue operators expected levels to return back “in less than 6 months” vs 40% in October. For the period “6 to 12 months”, operators expected 20% in July vs 31% in October.

As restrictions have eased in states outside of VIC and VIC begins to lift some of its restrictions slowly, it’s without surprise staffing level expectations have improved vs 2019’s levels. **In July, 35% of venue operators expected levels to return back “in less than 6 months” vs 40% in October. For the period “6 to 12 months”, operators expected 20% in July vs 31% in October.** The later periods have also reversed trends. However, expectations for longer than 24 months are broadly similar. We expect this to decrease once VIC reduces its restrictions, similar to revenues above.

Figure 13: When will staff levels return to last year's levels



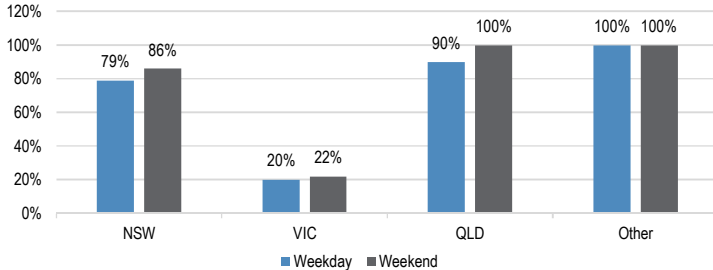
Source: J.P. Morgan and Forecast.

What % of visitation is being generated relative to pre-lockdown/last year?

Visitation was significantly lower at 55% of 2019's levels in October.

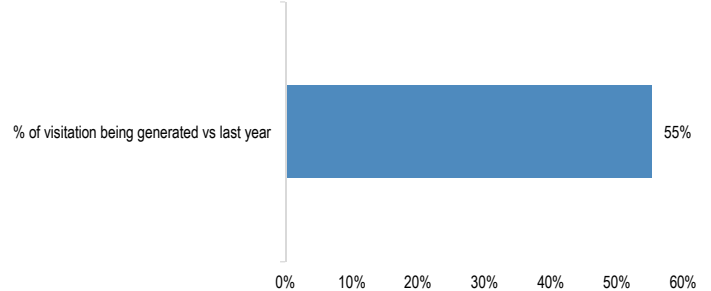
In July, we saw visitation was ~72% of 2019's levels on average on weekdays and on weekends it was higher at ~77% on average. While VIC skews the data due to lockdowns, we were surprised by visitation being significantly lower at 55% of 2019's levels in October.

Figure 14: Visitation levels by State – July 20



Source: J.P. Morgan and Forecast.

Figure 15: Average Visitation levels – October 20



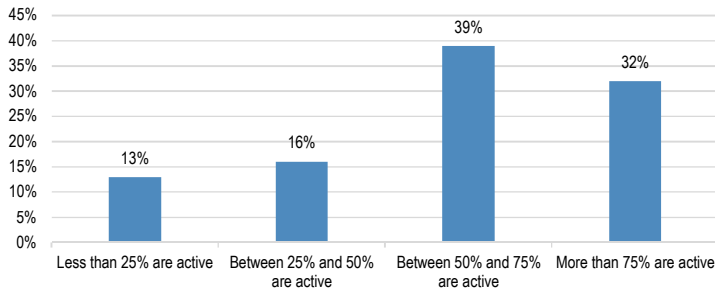
Source: J.P. Morgan.

What % of slots are "on" relative to pre-lockdown/last year?

In July, 71% of venue operators said 50% or more of slots were active.

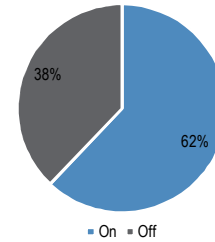
When the survey was conducted in July, 71% of venue operators said 50% or more of slots were active; relative to our survey in October, we saw 62% of slots were "on".

Figure 16: Active Slots – July 20



Source: J.P. Morgan and Forecast.

Figure 17: Slots “on” vs pre-lockdown/last year – October 20



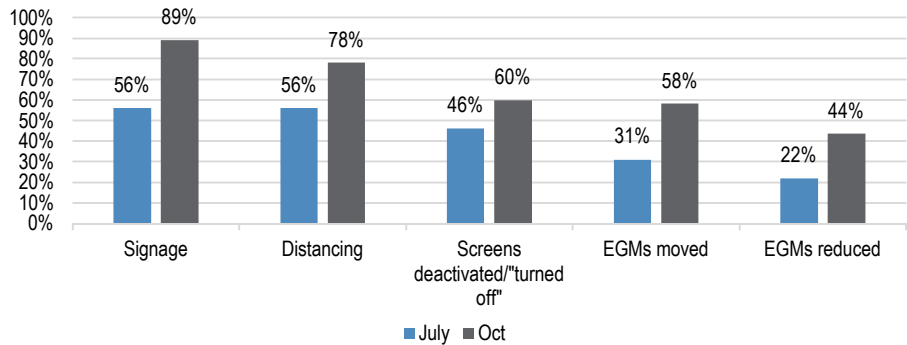
Source: J.P. Morgan.

Signage use increased 33% and EGMs moved increased 27%.

Key actions taken regarding COVID-19-safe plans for EGMs?

Since our survey in July, we’ve seen a significant step in all COVID-19 safe plans implemented across the venues in October. Signage use increased 33% and EGMs moved increased 27%.

Figure 18: Slot related actions due to COVID-19



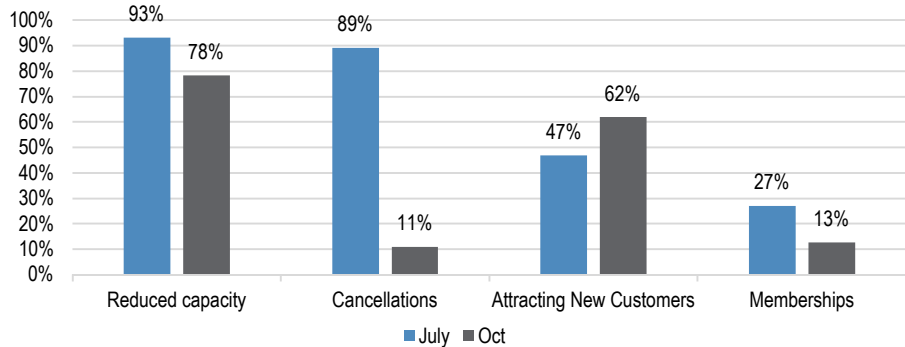
Source: J.P. Morgan and Forecast.

Attracting new customers has become more of a problem, from 47% of respondents in July to 62% in October.

Key challenges being faced?

Venue operators said reduced capacity, cancellations and attracting new customers were the main challenges in July. We’ve noticed a material decline in cancellations at venues being a challenge now (as restrictions have improved), from 89% of respondents in July to 11% in October (we also suspect this could be due to new bookings system and tracking protocols). However, attracting new customers has become more of a problem, from 47% of respondents in July to 62% in October.

Figure 19: Key venue challenges due to COVID-19



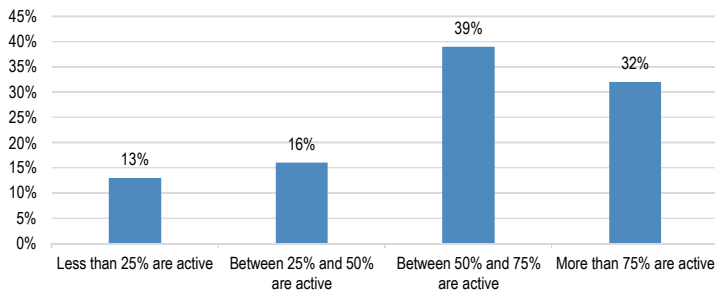
Source: J.P. Morgan and Forecast.

In July, 71% of venue operators said 50% or more of slots were active, relative to our survey in October, 62% of slots were "on".

What % of slots are "on" relative to pre-lockdown/last year?

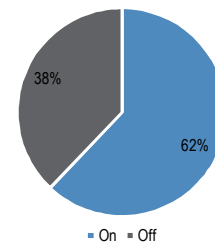
When the survey was conducted **in July, 71% of venue operators said 50% or more of slots were active**; relative to our survey in October, 62% of slots were "on".

Figure 20: Active Slots – July 20



Source: J.P. Morgan and Forecast.

Figure 21: Slots "on" vs pre-lockdown/last year – October 20



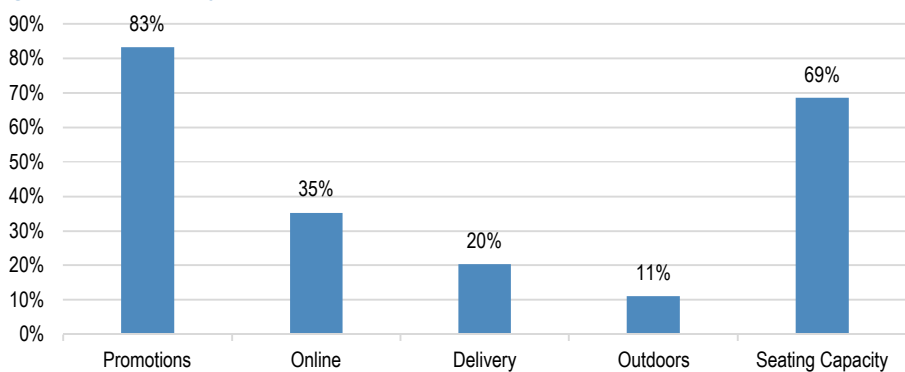
Source: J.P. Morgan.

83% of venue operators said they have altered promotions, 69% have altered seat capacity, and 35% have updated their online offerings.

How have businesses have adjusted spend?

In our October survey, we saw **83% of venue operators said they have altered promotions, 69% have altered seat capacity, and 35% have updated their online offerings.**

Figure 22: Business adjustments made – October 20



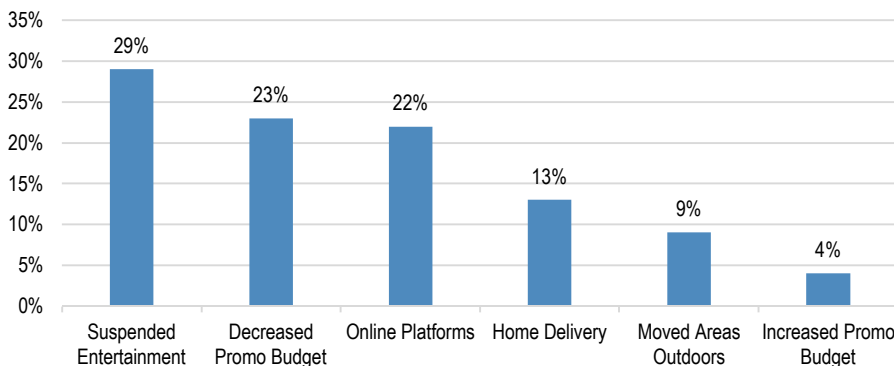
Source: J.P. Morgan.

Suspension of entertainment, increases in online platforms, and a movement to home delivery were the most popular key learnings amongst venue operators.

Key learnings?

Venue operators have taken different measures to adapt to the new environment. The chart below shows some of the actions taken, with the **suspension of entertainment, increases in online platforms, and a movement to home delivery being the most popular amongst the venue operators.**

Figure 23: Key learnings from COVID-19 in October 20



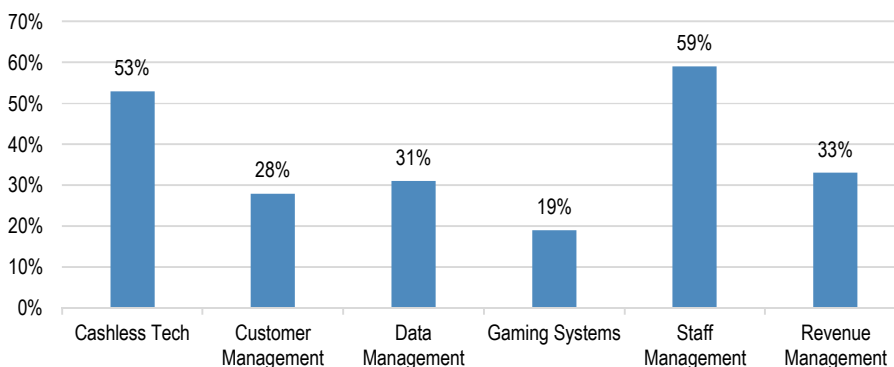
Source: J.P. Morgan and Forecast.

Venue operators are likely to prioritise cash technology investment, staff and revenue management, followed by a focus on data and customer management.

Key technology improvements?

Venue operators are likely to prioritise cash technology investment, staff and revenue management, followed by a focus on data and customer management.

Figure 24: Key technology investments due to COVID-19



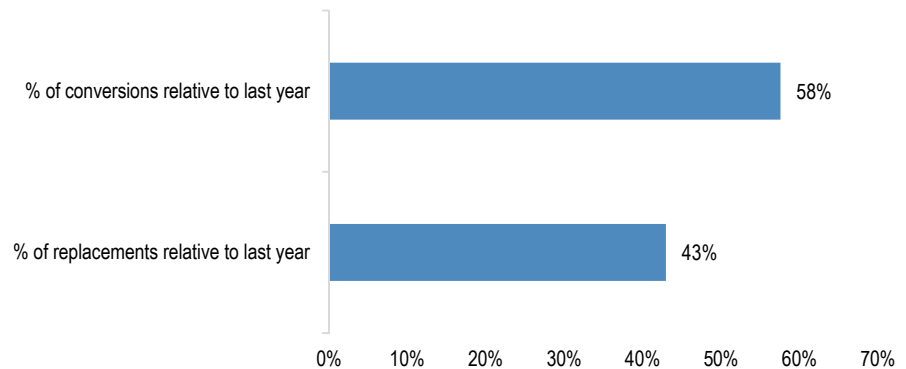
Source: J.P. Morgan and Forecast.

What % of conversions and replacements relative to last year?

Venue operators expect 58% of conversions and 43% of replacements relative to last year.

Venue operators expect 58% of conversions and 43% of replacements relative to last year. Further details on page 13.

Figure 25: Conversions & Replacements relative to last year – October 20



Source: J.P. Morgan.

Size of the market

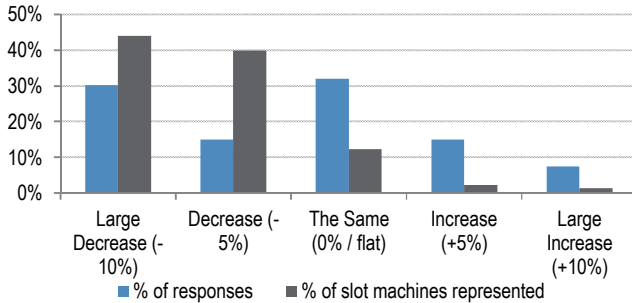
Do you intend to change your spend on replacements over the next year?

Venues representing 16% of the slot machines surveyed (down from 91% in 2019) expect their replacement budget to not decrease this year.

Slot manufacturers rely on the replacement market to supplement older machines which are not performing, operators will adjust their behavior from outright replacements to conversions. In our survey this year, 32% of casinos and pubs (down from 50% in 2019) report they will maintain spend on replacements, indicating operators are remaining quite cautious on spend levels due to COVID-19, which is not surprising. 23% (down from 37% in 2019) intend to increase spend while 45% (up from 13% in 2019) intend to decrease their replacement budget. In total, **venues representing 16% of the slot machines surveyed (down from 91% in 2019) expect their replacement budget to not decrease this year.** As Melbourne merges out of restrictions, we expect operators will reconsider their layout and product mix which could impact the replacement cycle.

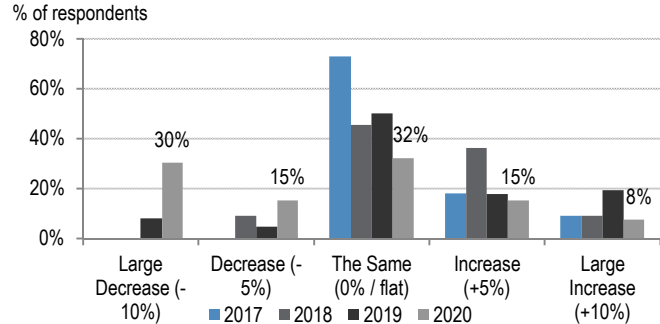
ANZ ALL replacements: we estimate replacements to be 6.4k units in 2020, down from 13.4k in 2019. We expect 10.8k in 2021.

Figure 26: Casinos and pubs will largely decrease spend on replacements over the next 12 months



Source: J.P. Morgan.

Figure 27: Growth in the replacement market is expected to slow relative to previous years



Source: J.P. Morgan.

Other notable feedback: slot numbers decreased on the floor; unsure at this stage; reduced number of slots on the floor but new product is vital to maintain and grow market share; changes in layout not product; catching up due to restrictions.

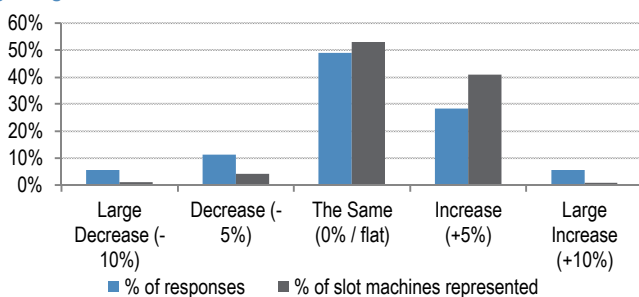
Do you intend to change your spend on game conversions over the next year?

42% of slot count-weighted responses showed a tendency to increase conversions vs. 78% last year (53% intending to remain the same vs. 21% last year).

Growth seen in conversions is due to **strong cost focus** from casinos and pubs as they serve an efficient mechanism for operators to update their floors, while also serving as a high-margin product for manufacturers. Casinos and pubs intend to maintain (at the very least) or increase spend on conversions in 2020. **42% of slot count-weighted responses showed a tendency to increase vs. 78% last year (53% intending to remain the same vs. 21% last year).**

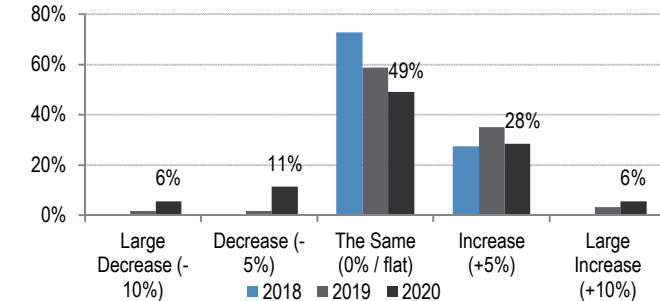
ANZ ALL conversions: we estimate replacements to be 3.2k units in 2020, down from FY19 of 6.3k.

Figure 28: Conversions are still seen as the preferred way to update gaming floors



Source: J.P. Morgan.

Figure 29: Conservatism due to COVID-19 reflected this year



Source: J.P. Morgan.

Other feedback: Conversions can also be free depending on the lifecycle, size, and agreement.

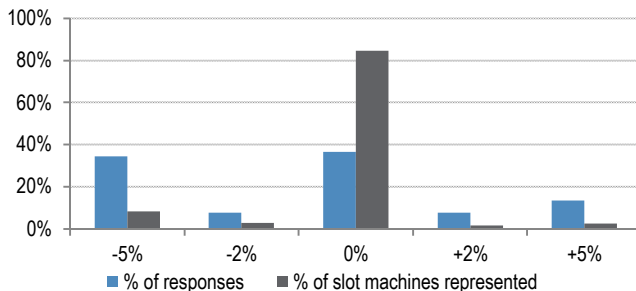
Unit Pricing

How do you expect pricing of machines will change over the next 12 months?

The market is prepared for prices to remain flat or decrease in 2020 (reversing previous year's trend).

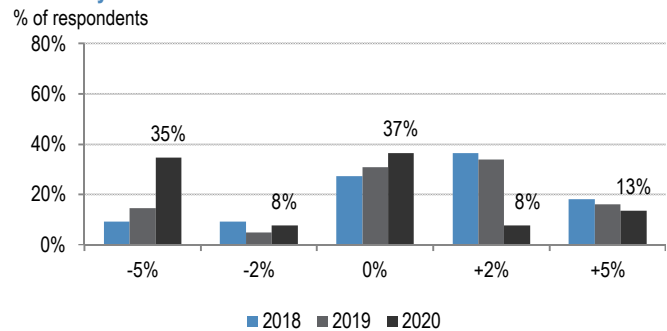
The market is prepared for prices to remain flat or decrease in 2020 (reversing previous year's trend). 21% of respondents (down from 50% in 2019) expect box pricing to increase in 2020. This proportion is significantly lower than the results from our [2019 survey](#), but this doesn't surprise us given the COVID-19 restrictions. If machine prices decrease, we would not be surprised to see ALL margins decrease in the short term.

Figure 30: Casinos expect pricing of machines to largely be flat or decrease in 2020, not surprising



Source: J.P. Morgan.

Figure 31: Expectations of rising machine prices are largely in-line with last year



Source: J.P. Morgan.

Other feedback: Manufacturers facing market share loss (or underperforming/short lived products) will lead to specials for incentivizing sales. Purchase agreements will be an important factor for clubs/pubs to reduce prices.

The Customer

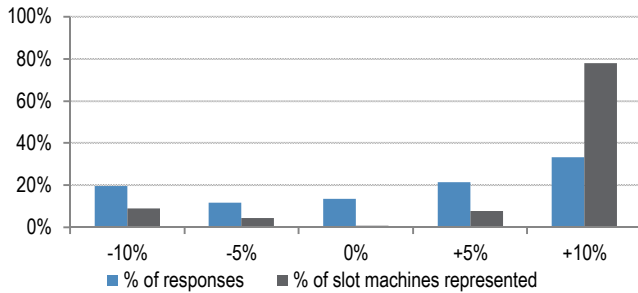
How much do you estimate spend per customer has changed compared to last year?

Slot players appear to be spending more per person.

Slot players appear to be spending more per person (consistent with our views in our previous [note](#) and press articles [here](#) and [here](#) discussing slot spend trends being significantly higher due to pent-up demand from COVID-19 restrictions). 32% of casinos and pubs estimate spend per customer has decreased (50% in 2019, 0% in 2018), 14% estimate flat (18% in 2019 and 2018) and 55% estimate an increase (32% in 2019, 82% in 2018). The smaller operators (~1% of slot machines represented) estimate customer spend is flat while larger operators (~78% of slot machines represented) view +10% increase and ~8% view +5% increase.

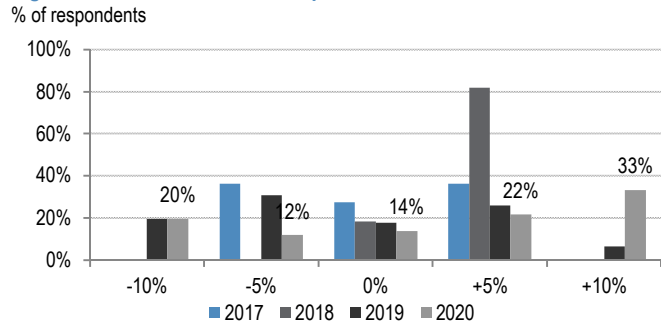
As VIC comes out of their restrictions, we expect a higher tilt towards increased spending levels.

Figure 32: Expectations of customer spend



Source: J.P. Morgan.

Figure 33: Historical customer spend shifts



Source: J.P. Morgan.

Other feedback: Changing markets at present, but we expect a slowing of the economy and a re-balancing of business models. COVID-19 lockdowns will change behavior. Spend per pax has grown slightly, but number of pax is down.

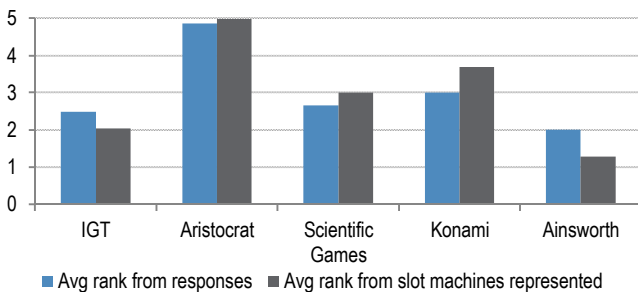
Competitor Landscape

Which manufacturer is performing best?

Aristocrat remains the top manufacturer, with 91% (down from 94% in 2019) of the respondents, representing 99% of slot machine participants, rating it as number one.

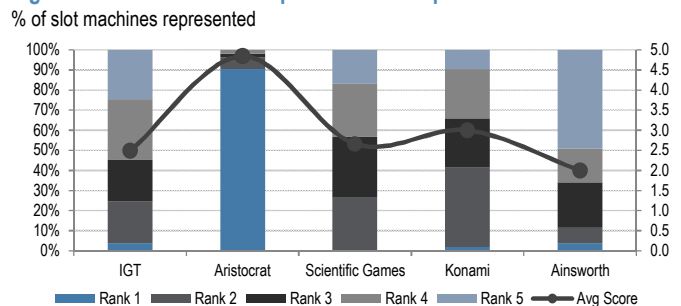
Aristocrat remains the top performing manufacturer, with 91% (down from 94% in 2019 and 100% in 2018 and 2017) of the respondents, representing 99% of slot machine participants, rating it as number one. When weighted based on the rankings assigned, Konami and SGMS were the next best performers, with Konami getting the most #2 ranks, Scientific Games receiving #3, followed by IGT receiving #4, and Ainsworth #5.

Figure 34: Casinos and pubs rate Aristocrat as number one (weighted ranking)



Source: J.P. Morgan. Avg Score (#1=5, #2=4, #3=3, #4=2, #5=1)

Figure 35: Distribution of response in 2020 – performance

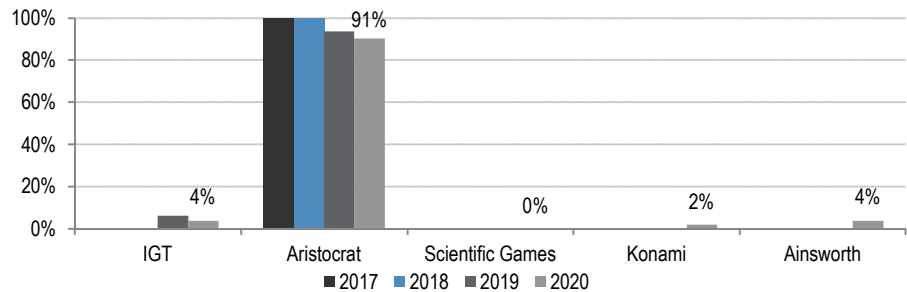


Source: J.P. Morgan. Avg Score (#1=5, #2=4, #3=3, #4=2, #5=1)

Aristocrat has decreased slightly vs last year but still remains the clear favorite. We used a leading hospitality and gaming network to assist in obtaining our survey responses this year and our total respondents represent ~35% of the Australian slot market. Therefore due to increased results – we note a slight fall in the number of #1 ranks for Aristocrat.

Figure 36: % of number #1 responses

% of respondents



Source: J.P. Morgan.

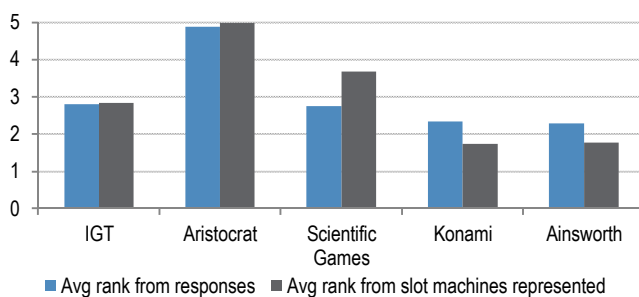
Casinos and pubs claiming Aristocrat as the manufacturer gaining the most share.

Which manufacturer is gaining most floor share at present?

Aristocrat’s products have been growing in popularity over recent years with popular product launches (such as Dragon titles). The results of our 11th annual survey mirror the positive sentiment towards Aristocrat shown in our 10th annual survey, with 88% (92% in 2019 – note increased sample size) of casinos and pubs claiming **Aristocrat as the manufacturer gaining the most share**. IGT and Scientific Games were second and third in our survey on a ‘top three basis, followed by Konami and Ainsworth. No changes vs 2019.

Figure 37: Casinos indicate Aristocrat is gaining the most floor share (% of number one responses)

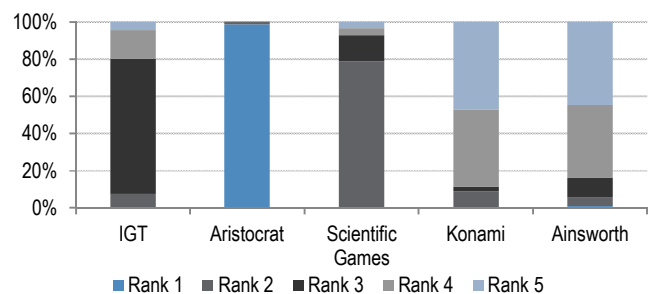
Average weight; weights: Rank 1 = 5, Rank 2 = 4, ..., Rank 5 = 1



Source: J.P. Morgan.

Figure 38: Distribution of responses in 2020

% of slot machines represented

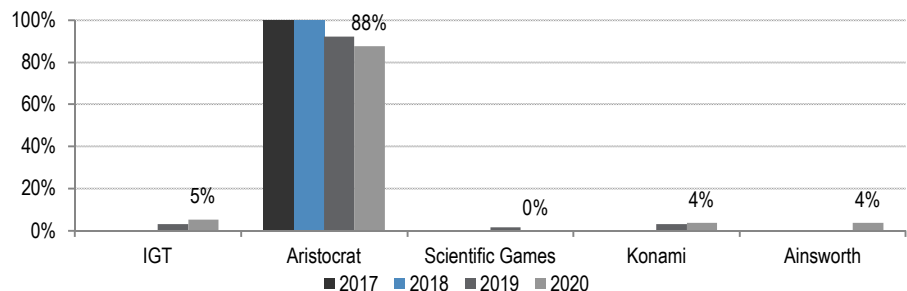


Source: J.P. Morgan.

Our latest survey shows Aristocrat is the number one manufacturer taking share.

Figure 39: % of number rank one responses

% of respondents



Source: J.P. Morgan.

We believe the upper boundary of share for Aristocrat in an average sized venue reaches 40-45%.

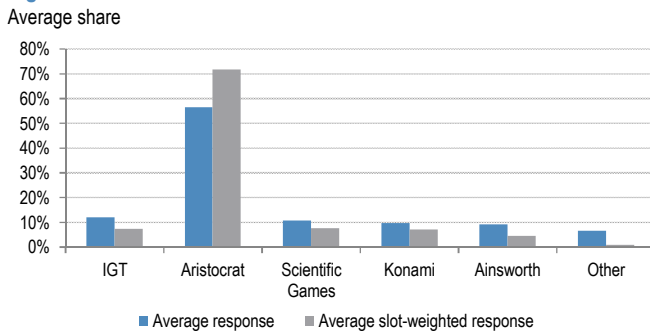
In our most recent survey the average floor would devote 56% (53% in 2019) of a new floor to Aristocrat.

If you were starting your floor today, what percentage of your floor would you devote to each manufacturer?

We believe this question is a good proxy for long-term floor share estimates as casinos shift the composition of their floor with replacements (even more so in COVID-19 environment). In reality, 56% of the floor dedicated to Aristocrat is unlikely as small venues skew this (10 machine hotels could easily dedicate 100% Aristocrat versus 50 machine venues). **We believe the upper boundary of share for Aristocrat in an average sized venue reaches 40-45%.**

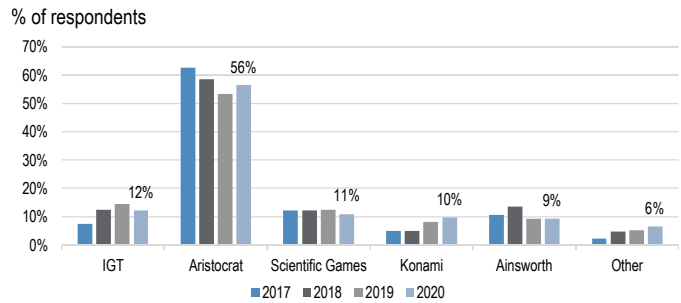
Preference for Aristocrat product on a Greenfield floor remains high. **In our most recent survey the average floor would devote 56% (53% in 2019) of a new floor to Aristocrat.** Konami has been gaining share, while Scientific Games and IGT are down. Ainsworth relatively flat.

Figure 40: Allocation between manufacturers on a new floor in 2020



Source: J.P. Morgan.

Figure 41: Shift in allocation to manufacturer over time – Aristocrat continues to dominate



Source: J.P. Morgan.

Table 3: Shift in allocation to manufacturers over time

	2017	2018	2019	2020
IGT	7.5%	12.5%	14.3%	12.2%
Aristocrat	62.5%	58.5%	53.3%	56.4%
Scientific Games	12.2%	12.3%	12.5%	10.8%
Konami	5.0%	5.0%	8.1%	9.7%
Ainsworth	10.6%	13.7%	9.2%	9.3%
Other	2.2%	4.6%	5.2%	6.5%

Source: J.P. Morgan.

The trend towards allocation to manufacturers outside the top 5 has decreased vs the previous year.

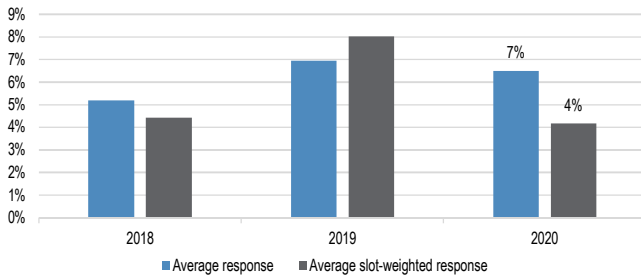
Market purchases from manufacturers outside the top 5 are remaining at similar levels.

What allocation of your wallet are you spending on manufacturers outside of the top 5? How has this changed over the past 2 years?

The trend towards allocation to manufacturers outside the top 5 (IGT, ALL, Scientific Games, Konami, Ainsworth) has decreased vs the previous year. We observed 4-7% allocation in 2020 vs. 7-8% in 2019. This is a direct response to the outsized share ALL has.

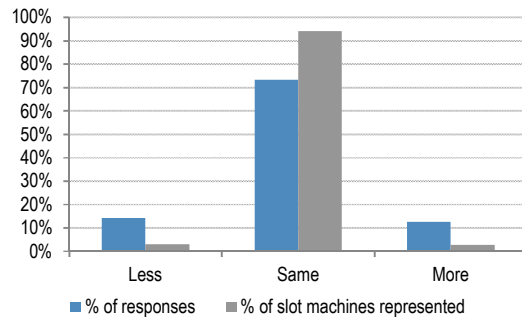
We see conservatism from venue operators due to tighter budgets due to restrictions. **Market purchases from manufacturers outside the top 5 are remaining at similar levels.**

Figure 42: Casinos intend to allocate 4-7% of their slot budget to manufacturers outside of Aristocrat, IGT, Sci Games, Konami and Ainsworth in the coming year



Source: J.P. Morgan.

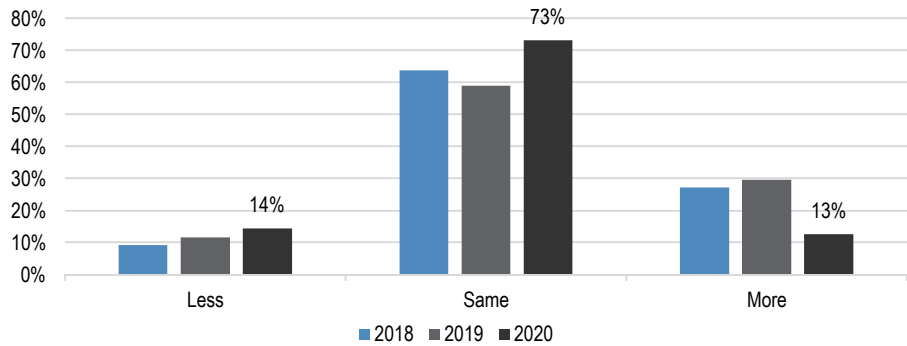
Figure 43: Casinos intend to allocate similar levels of their slot budget to manufacturers outside the top 5 in the coming year



Source: J.P. Morgan.

Figure 44: Change of spend on manufacturers outside of the top 5

% of respondents



Source: J.P. Morgan.

Aristocrat

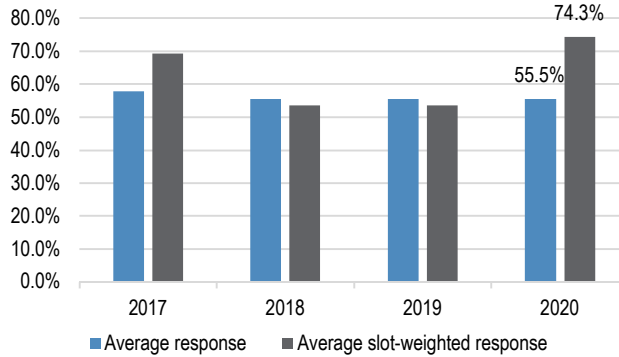
Following impressive results relative to the competition, we asked participants a few questions to gauge Aristocrat's current and 1-year forward performance.

What proportion of your floor is Aristocrat at present?

Participants indicated an average of 55.5% of the machines on their gaming floor were Aristocrat.

Survey participants indicated an average of 55.5% of the machines on their gaming floor were Aristocrat, which is consistent with 2019.

Figure 45: Aristocrat's share of casino floor continues to increase



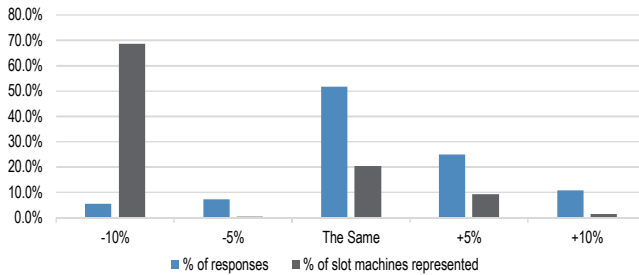
Source: J.P. Morgan.

Do you intend to change the proportion of Aristocrat on your floor in the next 12 months?

88% of the casinos and pubs surveyed intend to maintain or increase the allocation to Aristocrat.

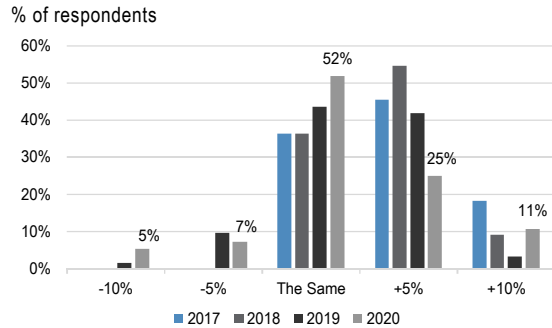
88% of the casinos and pubs surveyed intend to maintain or increase the allocation to Aristocrat (consistent with 2019), 36% (45% in 2019) of casinos intend to increase allocation to Aristocrat and 52% (44% in 2019) will look to maintain the proportion of Aristocrat on their floor.

Figure 46: Casinos and pubs intend to increase the proportion of Aristocrat on their floor by an average +1.4%



Source: J.P. Morgan.

Figure 47: Casinos and pubs intend to maintain the proportion of Aristocrat on their floor

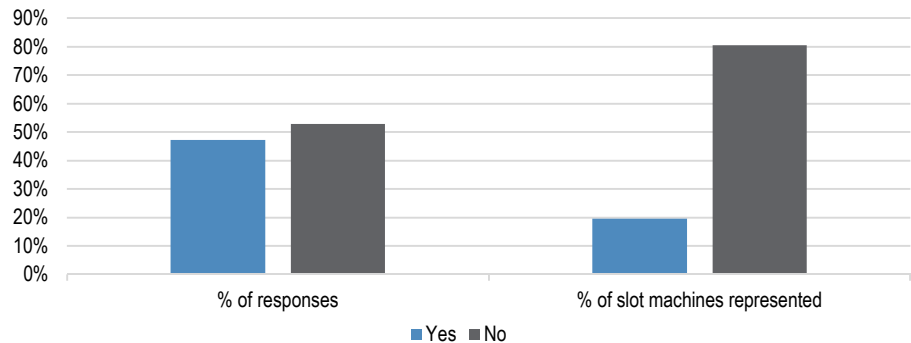


Source: J.P. Morgan.

Will you be buying Aristocrat's Dragon Link product, and if so, how many?

Responses to Aristocrat's Dragon Link machine have been largely in line with our expectations due to COVID-19, with participants representing 80% of slot machines covered by the survey indicating they don't intend on buying more Dragon Link machines on their gaming floor.

Figure 48: Aristocrat's Dragon Link was highly anticipated



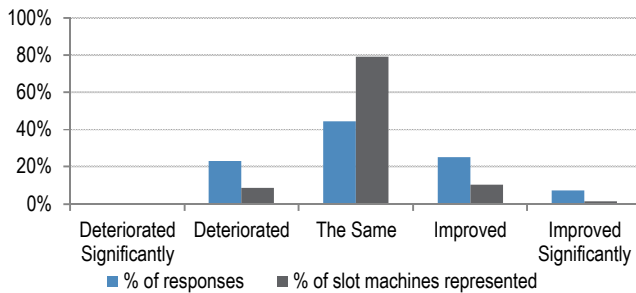
Source: J.P. Morgan.

Other feedback: purchases will depend on new game releases and some are unsure at present. Actual unit increases vary depending on size of the operator.

Has Aristocrat's game library changed in the past year?

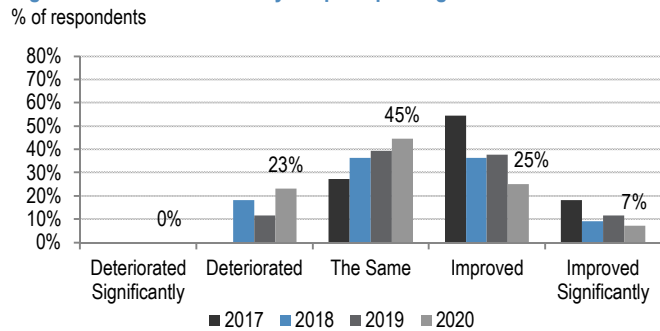
Aristocrat's performance throughout the life of our survey has been relatively strong, with 32% of participants (vs 49% in 2019) believing Aristocrat's game library has improved over the past 12 months. The decrease this year is not surprising due to COVID-19 implications. When the responses were weighted based on the slot machines represented, 79% say Aristocrat's game library is the same as 2019.

Figure 49: There is consensus agreement that Aristocrat's game library has improved in the past year



Source: J.P. Morgan.

Figure 50: Aristocrat's library keeps improving



Source: J.P. Morgan.

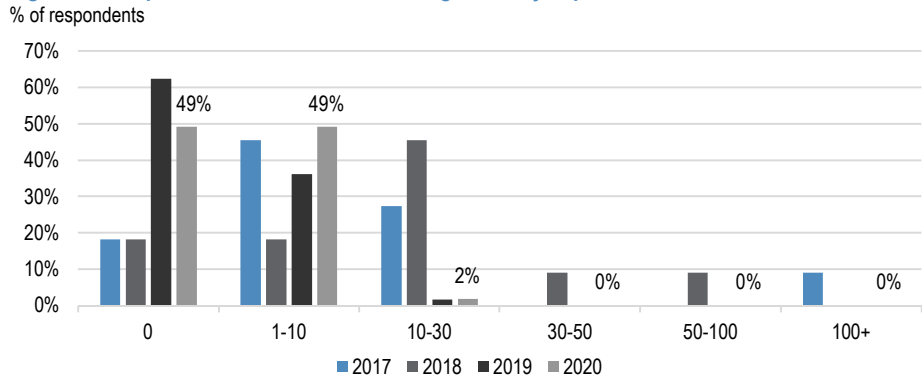
Ainsworth

Will you be buying Ainsworth boxes in the next 12 months? If so, how many?

49% of respondents (62% in 2019) indicated they would not purchase Ainsworth product in the next 12 months.

Ainsworth's product appears to be declining in popularity; 49% of respondents (62% in 2019) indicated they would not purchase Ainsworth product in the next 12 months. 49% of respondents were willing to purchase 1-10 Ainsworth machines in the next 12 months, up from 36% in 2019. Only 2% elected to buy 10-30 units, flat vs 2019.

Figure 51: Respondents indicated a decreasing tendency to purchase Ainsworth units



Source: J.P. Morgan.

Ainsworth has performed poorly in our survey in terms of share gains, and we believe it has lost significant share in the last few years to new niche manufacturers. Overall poor game performance on new products with declining popularity of older products has challenged the business.

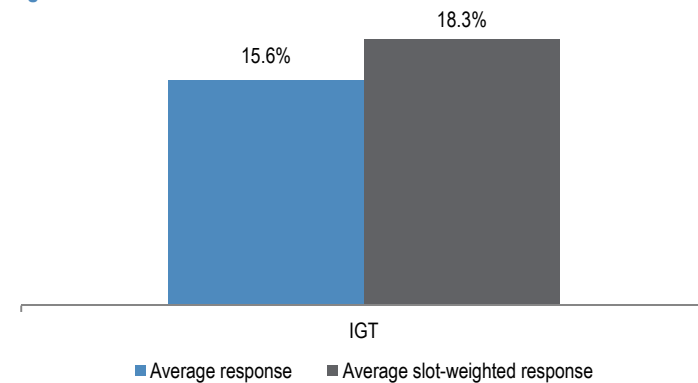
IGT

What proportion of your floor is IGT at present?

Survey participants indicated an average of 15.6% of the machines on their gaming floor were IGT.

Survey participants indicated an average of 15.6% (vs 15.1% in 2019) of the machines on their gaming floor were IGT.

Figure 52: IGT's share of casino floor



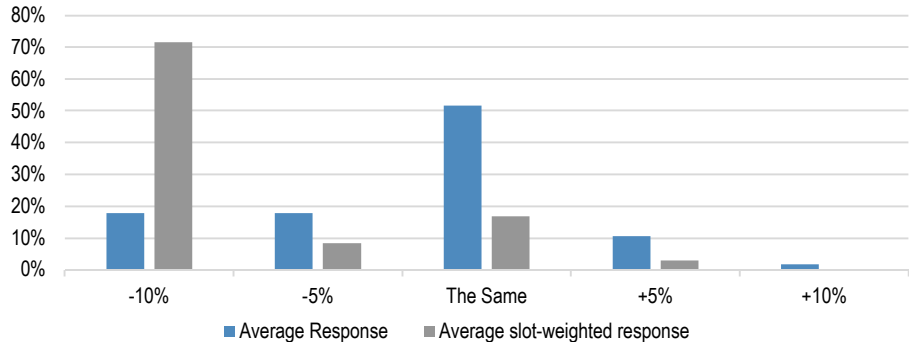
Source: J.P. Morgan.

Do you intend to change the proportion of IGT on your floor in the next 12 months?

64% of the casinos and pubs surveyed intend to maintain or increase the allocation to IGT.

64% (vs 87% in 2019) of the casinos and pubs surveyed intend to maintain or increase the allocation to IGT; 13% (vs 27% in 2019) of casinos intend to increase allocation to IGT and 51% (vs 60%) will look to maintain the proportion of IGT on their floor.

Figure 53: IGT's share of casino floor



Source: J.P. Morgan.

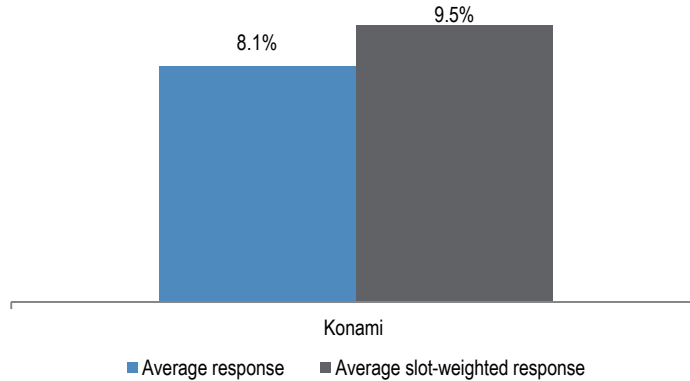
Konami

What proportion of your floor is Konami at present?

Survey participants indicated an average of 8.1% (vs 6.3% in 2019) of the machines on their gaming floor were Konami.

Average of 8.1% (vs 6.3% in 2019) of the machines on their gaming floor were Konami.

Figure 54: Konami's share of casino floor



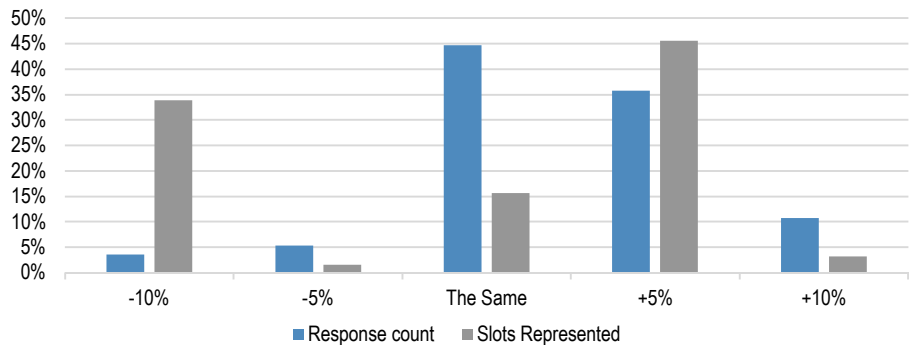
Source: J.P. Morgan.

Do you intend to change the proportion of Konami on your floor in the next 12 months?

45% (vs 56% in 2019) of casinos intend to maintain allocation to Konami and 46% (vs 44% in 2019) will look to increase their proportion of Konami on their floor. 9% want to decrease their proportion of Konami, this is up from 0% in 2019.

45% (vs 56% in 2019) of casinos intend to maintain allocation to Konami.

Figure 55: Konami's share of casino floor



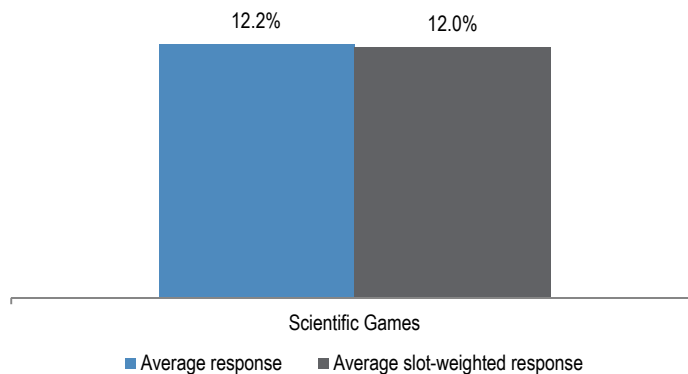
Source: J.P. Morgan.

Scientific Games

What proportion of your floor is Scientific Games at present?

Survey participants indicated an average of 12.2% (flat vs 2019) of the machines on their gaming floor were Scientific Games.

Figure 56: Scientific Game's share of casino floor



Source: J.P. Morgan.

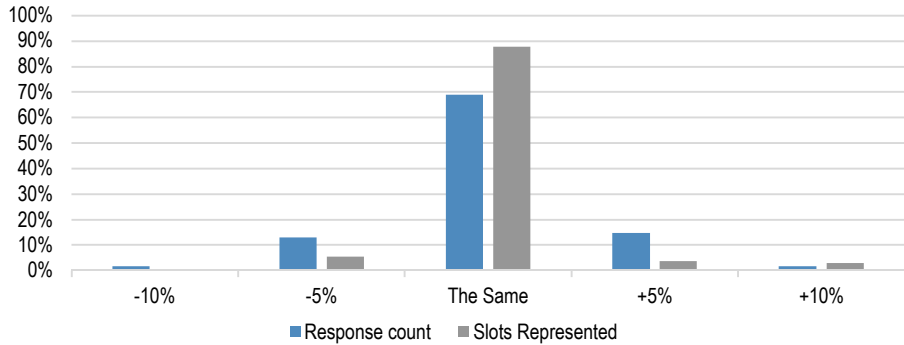
Do you intend to change the proportion of Scientific Games on your floor in the next 12 months?

68% (vs 69% in 2019) of casinos intend to maintain allocation to Scientific Games and 14% (vs 17% in 2019) will look to increase their proportion of Scientific Games on their floor.

Survey participants indicated an average of 12.2% of the machines on their gaming floor were Scientific Games.

68% of casinos intend to maintain allocation to Scientific Games.

Figure 57: Scientific Game's share of casino floor



Source: J.P. Morgan.

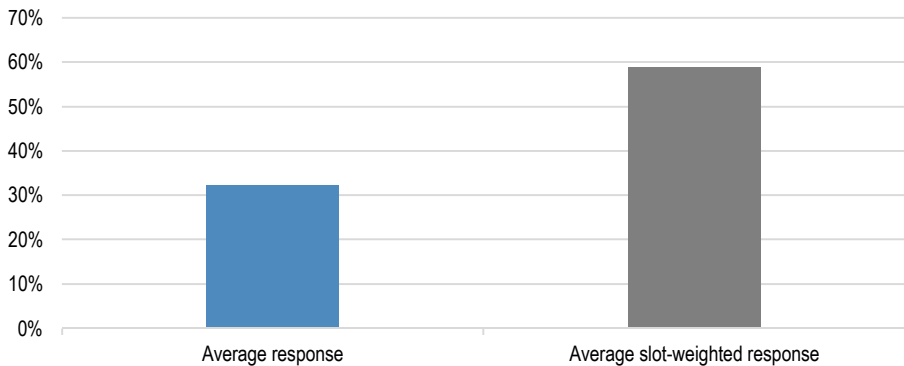
Linked Jackpots

What percentage of your floor do you have with linked jackpots?

32% of average respondents said their floor consists of linked jackpots.

32% of average respondents said their floor consists of linked jackpots vs 33% in 2019.

Figure 58: Linked Jackpots floor share %

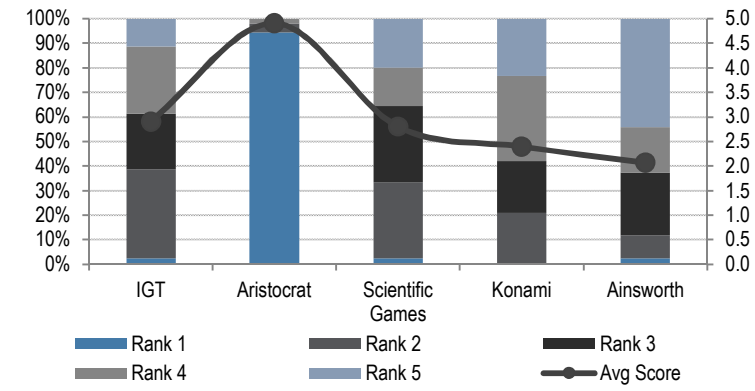


Source: J.P. Morgan.

How would you rate the performance of linked jackpots by manufacturer?

Aristocrat is the clear #1 followed by IGT, Scientific Games, Konami, and Ainsworth.

Figure 59: Linked Jackpots floor share - slot weighted



Source: J.P. Morgan. Avg Score (#1=5, #2=4, #3=3, #4=2, #5=1)

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
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IB clients*	52%	49%	37%
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