



Wheels are still rolling at Aristocrat

Company/ASX Code	Aristocrat Leisure Ltd/ALL
AGM date	Friday, 24 February 2023
Time and location	Live at 11am at ALL's HQ at Pinnacle Park, North Ryde and webcast but no facility for questions/voting during webcast
Registry	Boardroom Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Carol Limmer assisted by Sue Erbag
Pre AGM Meeting?	Yes with Board Director & Chair of People & Culture Committee and Member of the Audit Committee, Ms Kathleen Conlon, and Company Secretary, Kristy Jo

Summary of issues for meeting

Last year, ALL made a bid of Pounds Sterling 4bn to take over UK based Playtech. Based on proxy votes, the majority of the votes cast were in favour of ALL's transaction but short of the required 75% threshold. ALL had intended to use this plan to capitalise on the North American online gambling gold rush. ALL was then forced to have a rethink for the future.

ALL shifted its focus to accelerating plans for alternative online RMG (real money gambling) scaling options and continuing to execute its growth strategy in a way that is consistent with rigorous investment criteria, high regulatory standards, and integrity.

The \$1.3bn equity raising by way of an underwritten pro rata accelerated entitlement offer with rights trading to partly finance the proposed acquisition of Playtech was completed in November 2021. This left ALL with cash reserves for other M & A's, investment in further organic growth and/or some return of capital to shareholders (the latter has been \$473m).

The AGM is being held live and will also have a live webcast but shareholders/proxy holders attending via the webcast will need to lodge questions and votes prior to the meeting. It is disappointing that webcast attendees will have to ask questions and vote beforehand. However, there is a fairly significant cost involved in having this facility and ALL has said that there has been little activity from shareholders during recent AGM webcasts.

There has been quite a decline in share price in FY22 compared with FY21 but the current share price is actually higher than the 3 years prior to 2021. ALL has indicated that aspects such as the market expectations and then subsequent failure of the major acquisition, general market volatility, the risks in Ukraine, and the softening growth in the overall mobile gaming market, reflecting some post-COVID moderation, would have all likely played a role in the significant share price change.

Stephen Mayne is standing for election for a Board Director role but is not being recommended by the ALL Board.

The Board Chair will be prepared for any activist activity at the AGM.

ALL's LTI arrangements include a TSR Vesting Scale which pays 50% at Median and has a three year only performance period. ALL regards itself as a technology company and believes that the product lead times and its position in a very much global, and particularly North American (USA) market for talent, differentiates it in terms of remuneration/recognition for its employees.

Proposed Voting Summary

Item.	Resolution Summary	
2	Re-election of Mr Philippe Etienne	For
3	Re-election of Mr Pat Ramsey	For
4	Re-election of Ms Kathleen Conlon	For
5	Election of Mr Bill Lance	For
6	Election of Mr Stephen Mayne	Against
7	Approval for Grant of PSRs to CEO & MD	For
8	Approval of Remuneration Report	For
9	Approval of Reinsertion of Proportional Takeover Approval Provisions	For

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

Summary of ASA Position

Item 1 Consideration of accounts and reports - No vote required

ALL's Annual Report and Notice of Meeting of Meeting are very comprehensive. Some areas have been enhanced in the past year e.g. in the Remuneration section to better show alignment with shareholders.

As mentioned above, ALL regards itself as a technology company with its main activities being design, development and distribution of gaming content, platforms and systems. This includes electronic gaming machines, casino management systems and in recent years digital social games.

The major part of its revenue is sourced from the Americas, particularly USA. ALL operates in 325 licensed jurisdictions, over 100 countries and has over 7,500 employees. ALL is a powerful, industry leading company with a high profile and with well recognised titles. Being dominant in the gaming machine market it is very conscious of need to continue investing in technology and talent to remain competitive and to differentiate itself in the market.

Its strategy is well articulated.

Under its aim to accelerate 'Build & Buy' Strategy it announced an agreement to acquire Roxor Gaming, a leading B2B inline RMG supplier. ALL also launched the Anaxi brand encompassing online RMG and Customer Experience operations. Internal appointments were made to this new division.

ALL has indicated that it is always focussed on possible acquisition paths and so looking for new games, studios and platforms.

ALL suspended its games in Russia nearly a year ago. Plarium's Russian based studio has been closed.

Even though 80% of Gaming revenue (land-based gaming business) is being sourced from North America ALL has stated that it does not have current plans to de-list from ASX.

Governance and culture

Due to the large number of jurisdictions in which ALL operates and the strict requirements from various regulators ALL is very conscious of governance, risk and compliance management. The company also has a strong regard for culture, particularly as it is seen as important in terms of attracting and retaining people in the global environment in which its business is conducted. It has good employee assistance available and access to training and personal development. Good employee engagement results. There has been comprehensive ongoing support of its Ukraine employees. Its Employee Engagement rating is in the top quartile of technology companies.

ALL is conscious of the need to maintain strong compliance and probity awareness is said to be 'embedded' in all employees.

The company has rigorous approach on political donations.

ALL has a comprehensively set out Corporate Governance Statement and well detailed Disclosures in relation to Corporate Governance Principles and Recommendations, Diversity and Board Skills & Experience.

ALL continues to update/expand its content on issues such as responsible gaming as well as considering the increasing level of interest by stakeholders in areas such as energy and environment. It keeps focussed on all elements of ESG.

Its particular areas of Governance focus during 2022 were in relation to Key Personnel Succession & Renewal, Strategic Guidance & Project Governance and ESG.

ALL is the first organisation in Australia to trial cashless gaming machines and has said that it is continually working with regulators/governments to create further features around responsible gaming.

ALL has 43% female NEDs on its Board of 7 directors which has a good overall mix of skills and experience.

There is a policy regarding NEDs maintaining 'skin in the game' with minimum level of shareholdings. The policy now also extends to Senior Executives.

ALL's Annual Report details comprehensively its main risks with descriptions of each and the management and mitigation strategies applied. These are subject to revision each year.

Key Board or senior management changes - Announcement of the resignation of CFO, Ms Julie Cameron – Doe was made in December 2021. Ms Cameron-Doe left after over 8 years with the company with 4 of those years being as CFO. She worked through her 6-month contractual notice period and supported an orderly transition process. Ms Sally Denby who has been appointed internally to the CFO role was formerly the Deputy CFO. Other internal Senior Executive changes have been effected with the launch of Anaxi.

ALL is increasing its NED Board members from 6 to 7 Directors with the appointment of Mr Bill Lance.

Financial Performance

See also table below.

Financial performance has been quite strong with increased NPAT from FY 21 and Fully Franked Dividend was 52 cents per share compared with 41 cents for FY 21. Likewise, EPS has shown improvement but TSR is lower. ALL has a good Operating Cash Flow position with lower leverage and available liquidity for M & A and continued investment. All up, its performance in the past 12 months has been good overall. The share price is down compared to previous year but higher than for some years prior to FY21.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	948.5	820.0	357.1	752.8	542.6
UPAT (\$m)	1046.9	919.1	476.6	894.4	655.3
Share price (\$)	33.8	45.25	29.85	30.60	28.44
Dividend (cents)	52.0	41.0	10.0	56.0	46.0
Simple TSR (%)	-30	58.0	-2	10	38
EPS (cents)	150.2	120.0	56.0	118.0	96.5
CEO total remuneration, actual (\$m)	7.1	7.53	4.46	5.33	4.3

Note – The CEO and many of the other employees are based offshore (mainly USA) where the average weekly earnings may be different. CEO remuneration is around 74x annualised Australian fulltime earnings.

Note – In FY20 the CEO took a 30% cut in pay from May to September 2020. No STI payment was made in FY20.

Election or re-election of directors

Item 2 Re-election of Mr Philippe Etienne as a Director - For Mr Etienne was appointed to the ALL Board in November 2019. He is a member of the Regulatory & Compliance and People & Culture Committees

He is formally well qualified.

He is experienced international executive, including MD & CEO of Innovia Security P/L (a global disruptive technology company) and senior executive roles with Orica Ltd in Australia, USA and Germany.

Mr Etienne currently chairs board of Quantum and is a NED at Lynas Rare Earths and Cleanaway Waste Management Ltd.

He holds 6792 shares in ALL.

ASA intends to support his re-election.

Item 2 Re-election of Mr Pat Ramsey as a Director - For

Mr Ramsey was appointed to ALL Board in September 2016 and was re-elected in 2020. He is the Lead US Director, Chair of the Regulatory & Compliance Committee and a member of Audit Committee.

He is formally well qualified.

He has over 21 years' experience as a senior executive in the gaming industry, having worked in both land-based casino operations and casino gaming technology. He is former CEO of Multimedia Games and had various roles in Caesars Entertainment.

Mr Ramsey is NED Chair of Codere Online Luxembourg SA (NASDAQ) and a Director of SimpleBet Inc. He also serves as Vice Chair of Board of Trustees for meadows School and is member of Operating Council for Arrow Int.

He holds 19,360 shares in ALL.

ASA intends to support his re-election.

Item 4 Re-election of Ms Kathleen Conlon - For

Ms Conlon was appointed to the Board in January 2014 and was re-elected in 2020. She is the Chair of the People & Culture Committee and a member of Audit Committee.

She is formally well qualified.

She has over 23 years of professional management consulting experience and well recognised as a thought leader in fields of strategy and business improvement. During her time at Boston Consulting Group she led their Asia Pacific Operations Practice and formerly Sydney office.

Ms Conlon is the Board Chair of Lynas Rare Earths Ltd and a Director of Blue Scope Steel. She is a member of Chief Executive Women, Chair of AICD's Corporate Governance Committee and former National Board member of AICD.

She holds 11,026 shares in ALL.

ASA intends to support her re-election.

Item 5 Election of Mr Bill Lance - For

Mr Lance was appointed to the Board on 4 January, following regulatory approvals.

He is formally well qualified.

Mr Lance is a prominent Native American Tribal Leader in USA. He was the longest-serving Secretary of Commerce in the history of the Chickasaw nation where he was responsible for 7000 employees and more than 60 gaming, hospitality, retail and media commercial operations. In his current honorary title role of Chickasaw Nation's Secretary of State, he continues to represent the Nation on multiple Tribal and other national and state level organisations across USA.

He is a member of the Board of the Chickasaw Foundation and also serves on Board of NASDAQ-listed BancFirst.

In making his appointment to the Board the ALL Board Chair said that his decades of experience as a major gaming operator and a Tribal leader of national standing in USA will be bring valuable new perspectives to the Board's deliberations.

ASA intends to support his election.

Item 6 Election of Mr Stephen Mayne - Against

Mr Mayne is an external non-Board endorsed candidate.

The details of his application to serve on ALL Board are covered extensively in the Notice of Meeting.

ASA intends to vote against his appointment.

Adoption of Remuneration Report and approval of equity grants to CEO & MD

Item 7 Approval for Grant of Performance Share Rights to the CEO & MD under the LTIP - For

The proposal is that 163,541 Performance Share Rights (PSRs) at Face Value of USD 3.48m (AUD 5.44m) be granted to CEO & MD, Mr Croker.

See also the table of remuneration framework in Appendix.

1,617,495 PSRs have previously been allocated to Mr Croker under the LTIP.

He has 576,056 fully paid ordinary shares. He also has LTI PSRs and STI PSRs which may vest later. Therefore, he has good 'skin in the game'.

CEO has 78% of his remuneration 'at risk' (Variable Remuneration – STI and LTI)

Face Value is used in allocation methodology for LTIP PSRs. There are 3 Performance Hurdles for the PSRs viz TSR – 30%, EPS – 30% and Individual Performance (referred to as 'OKR') – 40%. The last mentioned is based on a balanced scorecard approach – achieving or outperforming against objectives and key result areas over entire course of 3-year performance period i.e. non achievement in 1 year results in ALL PSRs under that hurdle not vesting. With the TSR hurdle, 50% vesting occurs at Median performance – this component could be more rigorous. Also, it the performance hurdle is 3 years only. Mr Croker is USA based and remuneration arrangements in USA maybe somewhat different to Australian conditions.

2019 LTI PSRs recently vested at 64% (did not achieve threshold level of EPS performance) and STI outcome for 2022 was 130% for CEO.

Item 8 Approval of the Remuneration Report - For Last year the ASA voted FOR approval of Remuneration Report

ALL's remuneration arrangements are comprehensively covered in the Annual Report which is headed up by a letter from the People & Culture Committee Chair. This mentions the strong performance for the year and includes performance highlights. ALL also had pleasing employee engagement results.

STI outcomes of between 119% and 133% STI target awards with the CEO's being 130%. These are lower awards than previous year.

LTI comments are covered under previous item.

ALL does have-

- Retrospective disclosure of the actual targets set by the Board and actual performance against those targets.
- Disclosures on methodologies relating to target setting, including how hurdles are set to ensure challenging stretch targets.

- Clawback provisions.
- 50% deferral into equity on STI payments, half for 1 year and half for 2 years.

ALL has informed ASA representatives that remuneration arrangements are not as attractive in terms of structure and quantum as USA generally and, of course, ALL is global in spread and most of their key talent are USA based.

Item 9 Approval to the Reinsertion of Proportional Takeover Approval Provisions - For

The Explanatory Statement in the Notice of Meeting details this proposal. ASA prefers full takeovers or the opportunity to approve any proportional bid.

ASA intends to support this resolution.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY2022	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.19	22.00	2.19	19.0
STI - Cash	1.17	12.00	2.34	20.50
STI - Equity	1.17	12.00	2.34	20.50
LTI	5.40	54.00	5.40	40.0
Total	9.93	100.0	12.27	100.00

Note: The figures in the Annual Report and NOM are in USD. These have been converted to approx. AUD.