



Association of Gaming Equipment Manufacturers

INDUSTRY IMPACT ANALYSIS

Global Gaming Supplier

2017

May 1, 2017

Mr. Marcus Prater
Executive Director
Association of Gaming Equipment Manufacturers
P.O. Box 50049
Henderson, NV 89016-0049

RE: Industry Impact Analysis | Global Gaming Supplier

Dear Mr. Prater:

In accordance with your request, Applied Analysis (“AA”) is pleased to submit this summary report. AA was retained by the Association of Gaming Equipment Manufacturers (“AGEM” or the “Association”) to review and analyze the economic impacts sourced to the global gaming supplier industry. In addition, AA was retained to conduct a survey of AGEM members regarding select topics to provide additional insight into the Association’s membership. This summary report outlines the salient findings and conclusions of our review and analysis.

This report was designed by AA in response to your request. However, we make no representations as to the adequacy of these procedures for all your purposes. Generally speaking, our findings and estimates are as of March 31, 2017 and utilize the most recent data available. The information provided in this summary, and the conclusions reached herein, are based on the findings of our research and our knowledge of the market as of the date of this report. Our report contains economic, financial and other predominant market data. This information was collected from publicly available financial reports, our internal databases and various third parties, including the Association. The data were assembled by AA. While we have no reason to doubt its accuracy, the information collected was not subjected to any auditing or review procedures by AA; therefore, we can offer no representations or assurances as to its completeness.

This report is an executive summary. It is intended to provide an overview of the analyses conducted and a summary of our salient findings. AA will retain additional working papers relevant to this study. If you reproduce this report, it must be done so in its entirety. We welcome the opportunity to discuss this report with you at any time. Should you have any questions, please contact Jeremy Agüero or Brian Gordon at (702) 967-3333.

Sincerely,


Applied Analysis

SUMMARY OF FINDINGS

Summary of Findings

Global Gaming Suppliers Generate Meaningful Economic Impacts

The global gaming supplier industry continues to evolve and adapt to the latest consumer preferences and technological advancements emerging around the world. These changes have resulted in innovative solutions by gaming suppliers and continued investments in research and development, as well as, the industry's human resources.

The economic impacts sourced to the industry demonstrate the meaningful contributions businesses operating in this market space make in the communities in which they do business.

Key performance metrics within the industry generally expanded by 5 to 6 percent during 2016 as compared to 2015. The metrics to the right summarize the economic impacts for the industry during the past year, while more detailed results are included in the pages that follow.

- **Economic Output:** The global gaming supplier industry directly generated approximately \$18 billion in economic output during 2016. When the ripple effect of those impacts are considered, total output reached nearly \$48 billion, which represented a 6.2-percent increase from 2015.
- **Value Added:** Limiting the impact to the amount of value added, the total impacts (including indirect and induced) equated to \$23 billion in 2016 (+5.8 percent).
- **Wages and Salaries:** Employers paid nearly \$5 billion in direct wages to employees, which translated into over \$14 billion in total earnings within the economy in 2016.
- **Employment:** Direct jobs in the industry totaled over 55,000, and the multiplier effect resulted in more than 212,000 positions around the globe in 2016 (+5.6 percent).

Notes: All currency values contained in this analysis are stated on a 2017 constant dollar basis to account for the impacts of inflation. Values are also stated in US dollars, so foreign currency translation may also impact reported results. This analysis reflects a snapshot in time and may not be comparable to prior studies given the evolving nature of the industry.

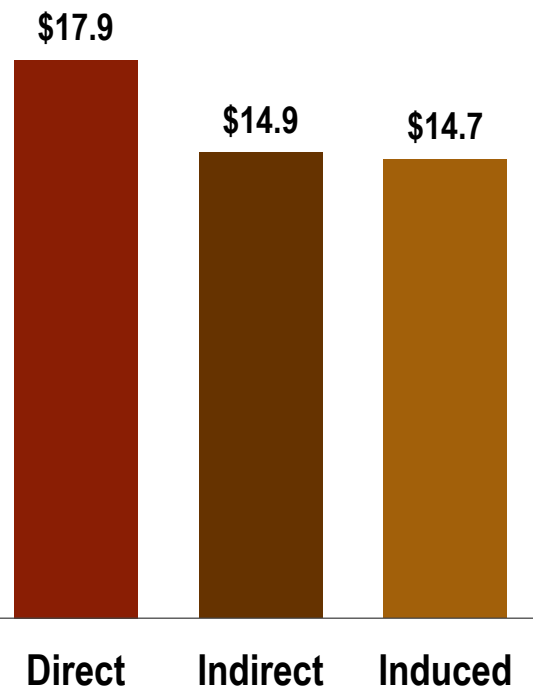
Summary of Findings: 2016 Economic Impacts by Type

Global Gaming Suppliers Generate Meaningful Economic Impacts



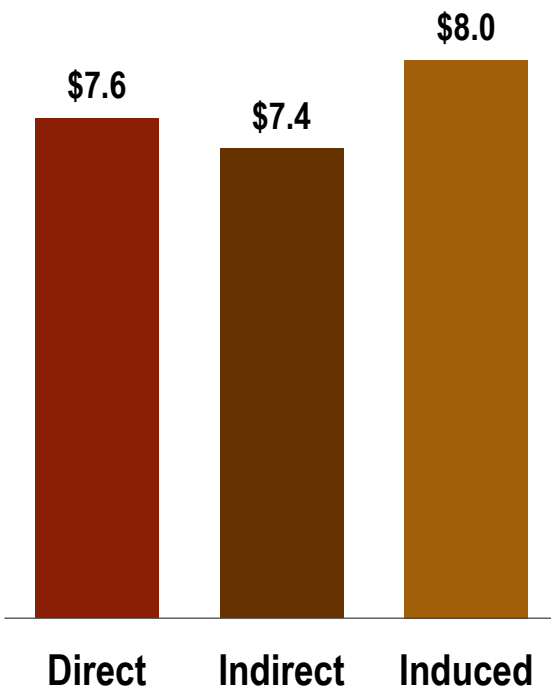
Economic Output

\$47.5 Billion



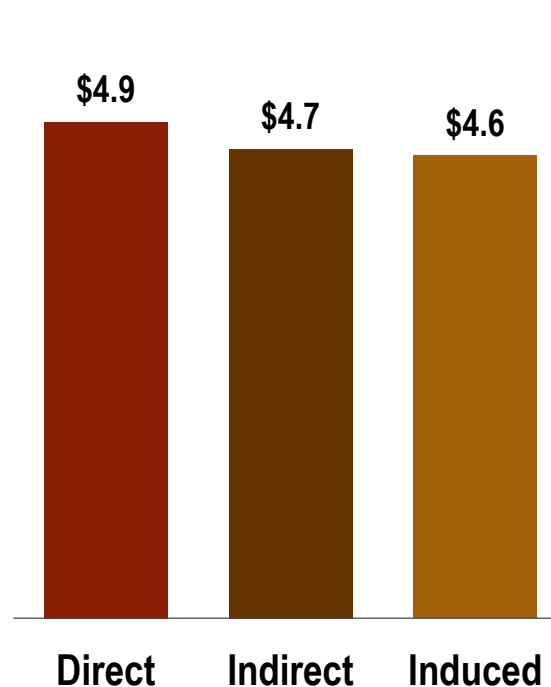
Value Added

\$23.0 Billion



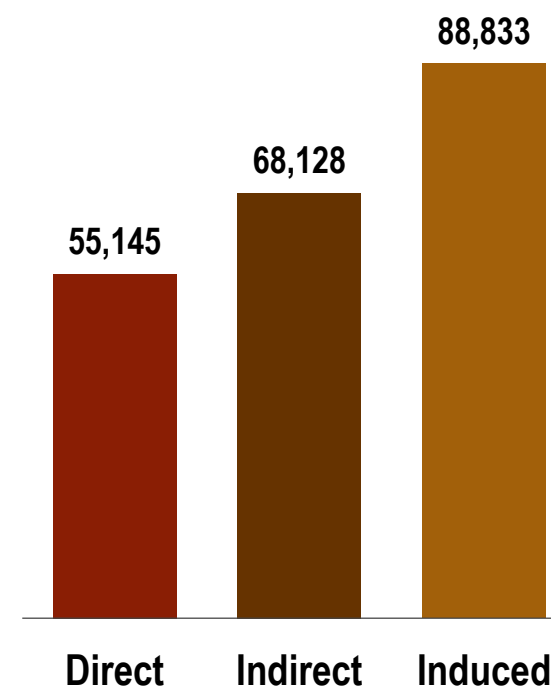
Wages & Salaries

\$14.2 Billion



Employment

212,105 Jobs



Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

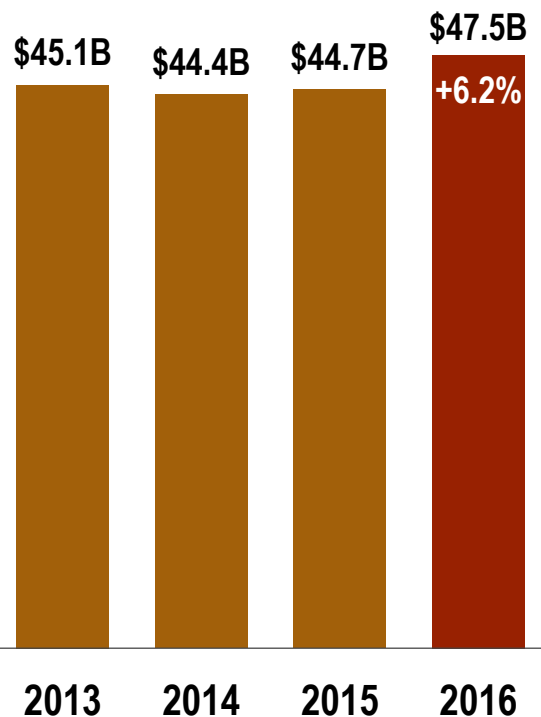


Summary of Findings: Total Economic Impacts Historically

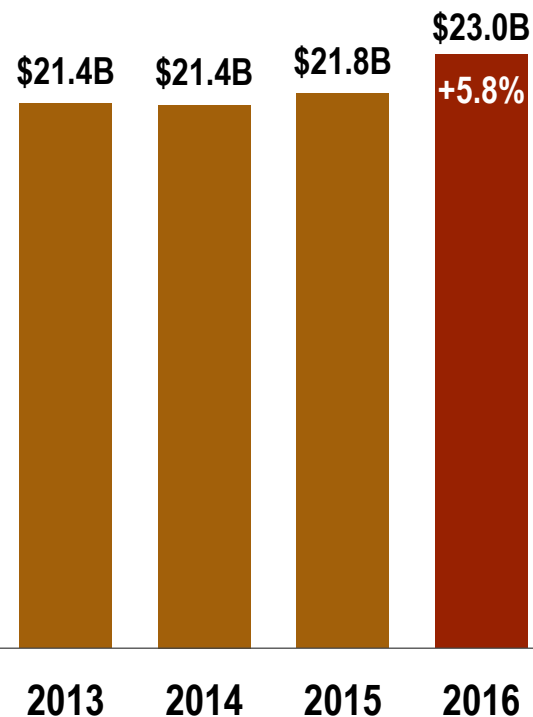
Global Gaming Suppliers Generate Meaningful Economic Impacts



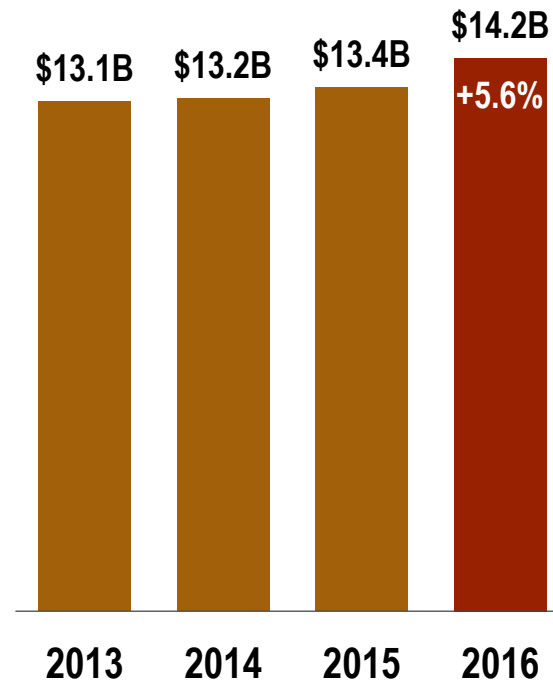
Economic Output



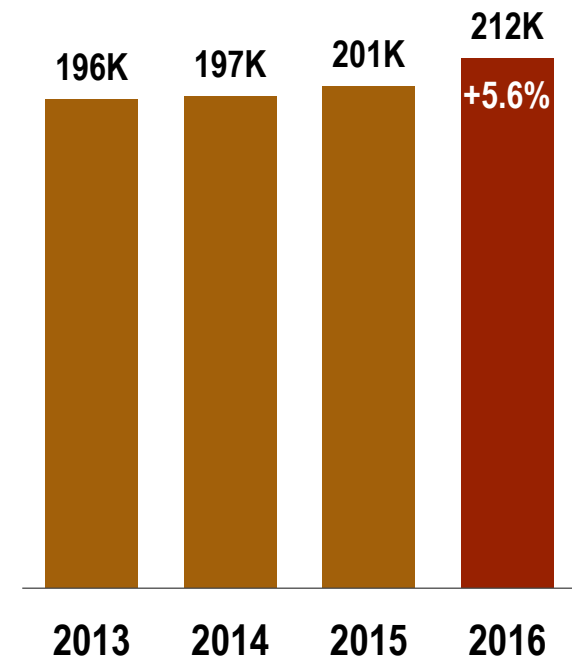
Value Added



Wages & Salaries



Employment







Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

Summary of Findings

Suppliers with a Presence in Nevada are Significant

While the impact of the global gaming industry spans a number of domestic and international markets, the state of Nevada is a key market in which suppliers conduct business. Companies that are either headquartered in Nevada or have some operations in the Silver State account for a meaningful share of industry-wide activity.

Companies doing business in Nevada generated \$9.2 billion in direct, global economic output (\$23.9 billion in total output). Other impact measures include \$11.1 billion in total value added, \$6.7 billion in wages and salaries and over 100,000 employees.

(\$ in Billions)	Impact	Direct	Indirect	Induced	Total
	Economic Output	\$9.2	\$7.7	\$6.9	\$23.9
	Value Added	\$3.5	\$3.8	\$3.8	\$11.1
	Wages and Salaries	\$2.1	\$2.4	\$2.2	\$6.7
	Employment	23,239	35,156	41,918	100,313



Note: Nevada impacts reflect the global impact of companies that are either headquartered in Nevada or have some operations in the state; this is not to suggest these are the impacts taking place within the state of Nevada.



ECONOMIC IMPACT METHODOLOGY

Economic Impact Analysis

Objective and Overview

Objectives

- To quantify the economic impacts of the global gaming supplier industry.
- To conduct a sentiment and research survey to gauge the gaming equipment manufacturing industry's perception of the market and other operational considerations.

Types of Analyses

- **Economic Impacts**
 - Economic output
 - Value added
 - Wages and salaries
 - Employment
- **Sentiment/Survey**
 - Current performance
 - Expectation for the future

Data Sources

- Public company filings (financial reports)
- AGEM member survey
- Applied Analysis
- IMPLAN (Impact Analysis for Planning Software)

Economic Impact Analysis

Types of Impacts



Economic Output

Impact of Total Spending within the Economy



Value Added

Difference Between Industry Output and the Cost of Its Inputs



Wages and Salaries

Impact on Personal Incomes for Employees



Employment

Impact on the Number of Jobs within the Economy

Direct Impacts

Generated by direct spending of the global gaming supplier industry

Indirect Impacts

Secondary impacts generated by businesses supporting the economic activities of the industry (supplier purchases)

Induced Impacts

Sourced to businesses that are supported by the spending of direct employees (employee spending)

Total Impacts

The sum of direct, indirect and induced impacts

Economic Impact Analysis

Methodology

IMPLAN Model

- 1 of 3 nationally recognized impact analysis software tools
- Developed by Minnesota IMPLAN Group, Inc. and used by more than 1,000 public and private institutions
- IMPLAN is an input-output model that utilizes complex economic equations to explain how the “outputs” of one industry become the “inputs” of others, and vice versa
- This relationship is sometimes referred to as the “multiplier effect”, illustrating how changes in one sector of the economy can affect other sectors

Economic Impact Analysis

Methodology

Limitations and Assumptions

- Input-output models, as is the case with all econometric models, are not without their limitations; the statistical model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions
- This means that for every job created or lost, a fixed change in investment, income and employment results
- In reality, businesses, consumers and governments respond to stimuli in complex ways, including changing the mix of capital or labor as well as the types and frequencies of investment
- Importantly, each impacting force has its own unique characteristics, affecting how consumers and businesses respond to the given change

ECONOMIC IMPACTS: GLOBALLY

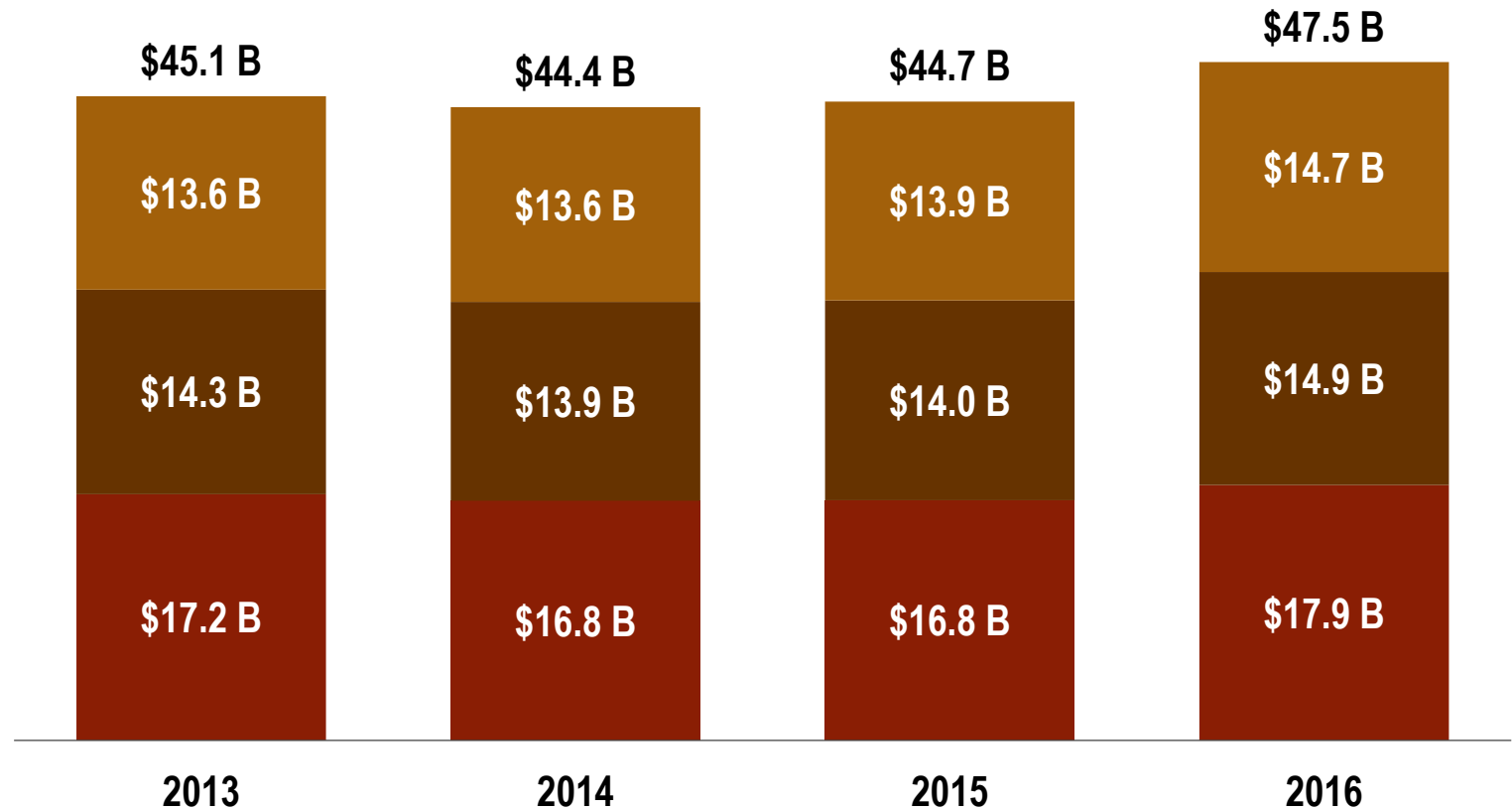


Historical Economic Output Impact

Economic Output

- Direct output (revenue) sourced to the global gaming supplier industry increased to \$17.9 billion in 2016, reflecting a growth rate of 6.3 percent from 2015.
- In addition to direct output, indirect output generated \$14.9 billion, while induced activity sourced to the industry rose to \$14.7 billion in 2016.
- Combined, the industry generated \$47.5 billion in economic output during 2016, reflecting an increase of 6.2 percent from 2015.

■ Direct ■ Indirect ■ Induced



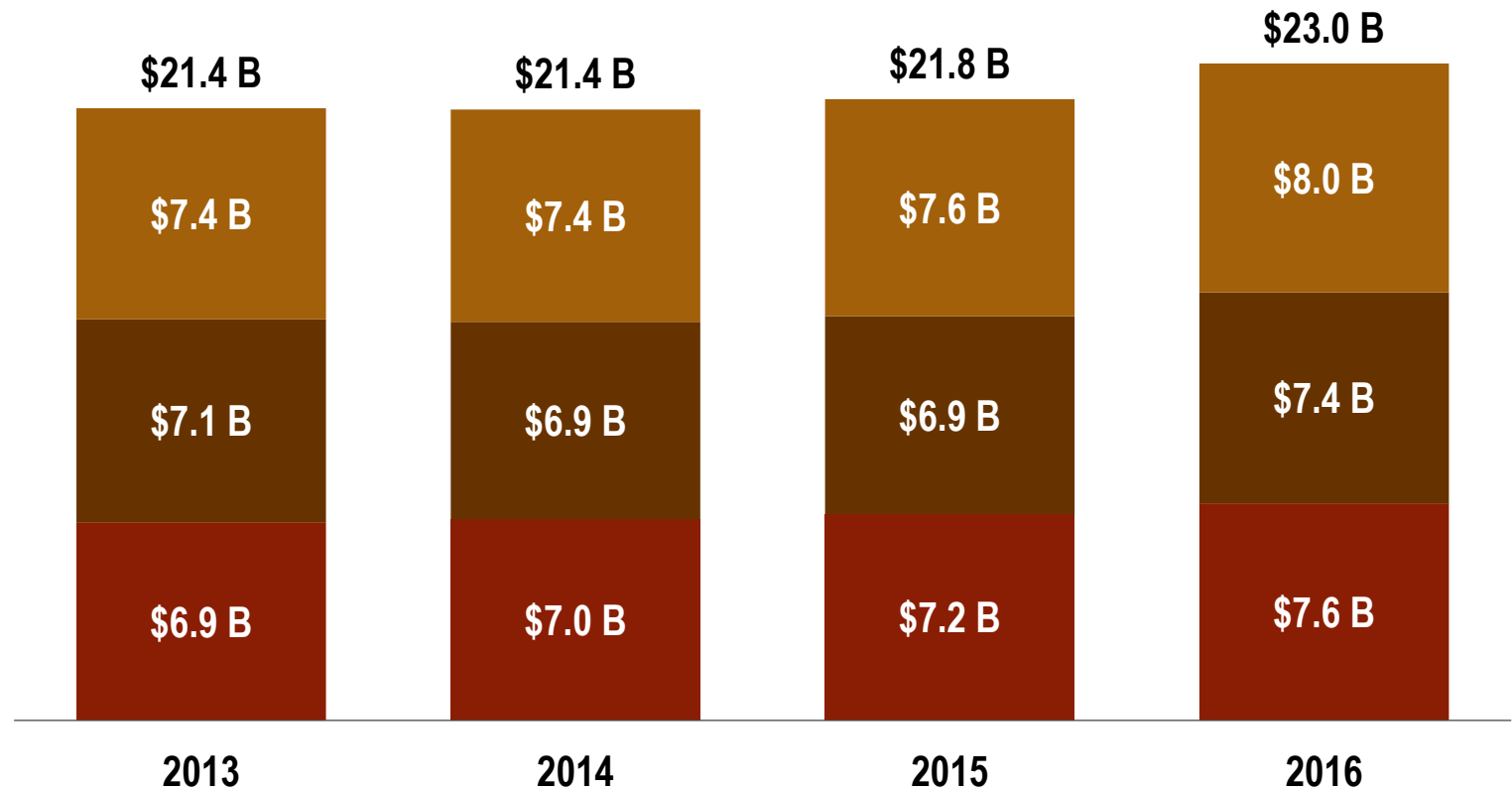
Source: Applied Analysis and IMPLAN. Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

Historical Value Added Impact

Value Added

- Value added is an economic concept similar to gross domestic product (total output less cost of inputs). During 2016, direct value added for the industry totaled \$7.6 billion (+5.2 percent from 2015).
- In addition to direct value added, another \$15.4 billion in indirect and induced value added was supported by the industry.
- Total value added of gaming suppliers reached \$23.0 billion, representing an increase of 5.8 percent from the prior year.

■ Direct ■ Indirect ■ Induced

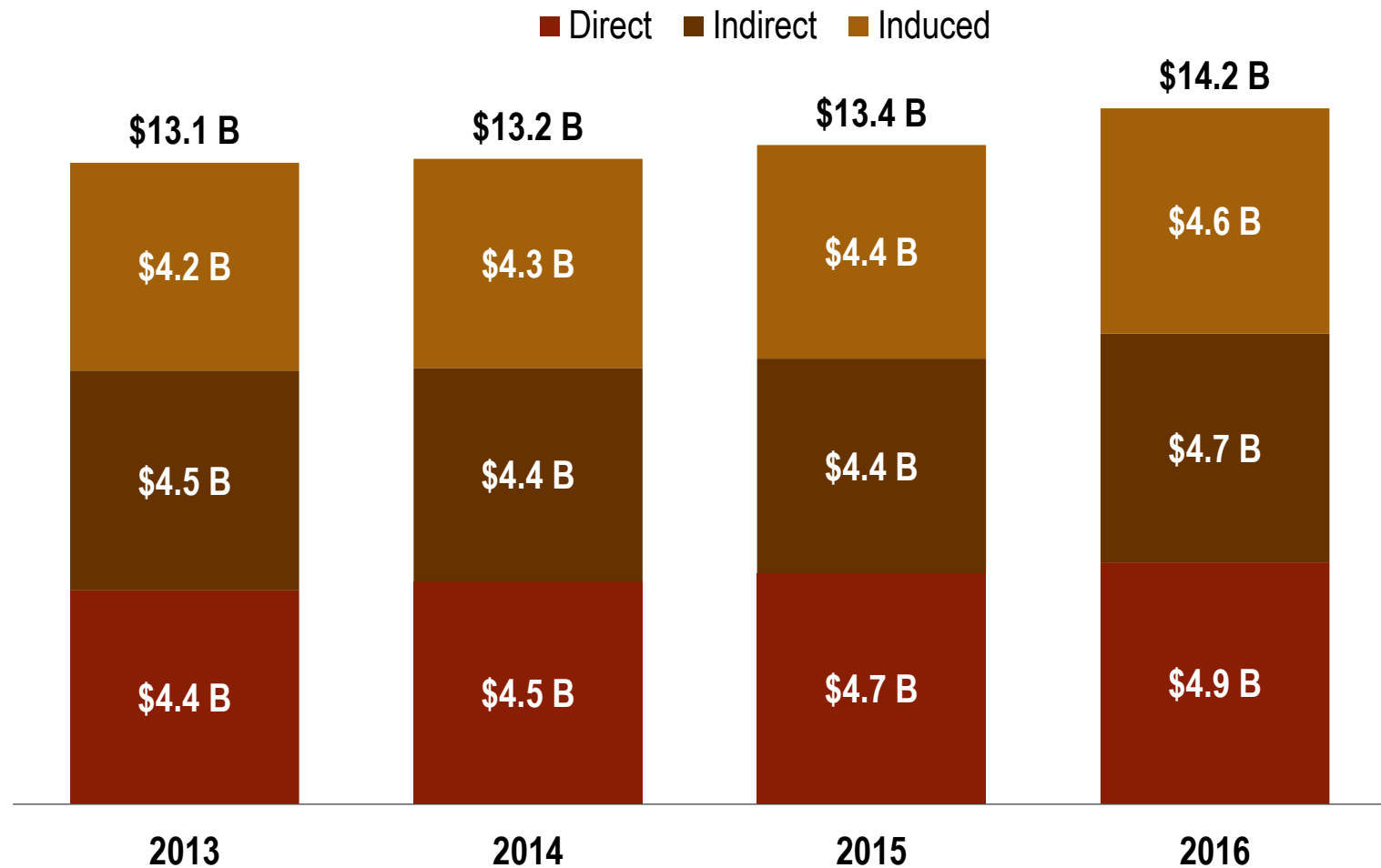


Source: Applied Analysis and IMPLAN. Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

Historical Wages and Salaries Impact

Wages and Salaries

- Employers within the global gaming supplier industry paid approximately \$4.9 billion in direct wages and salaries to their employees during 2016, which represented a 4.7-percent increase.
- Indirect and induced wages and salaries accounted for another \$9.3 billion in personal incomes.
- In total, the industry supported \$14.2 billion in wages and salaries during 2016, representing an increase of 5.6 percent from the prior year.

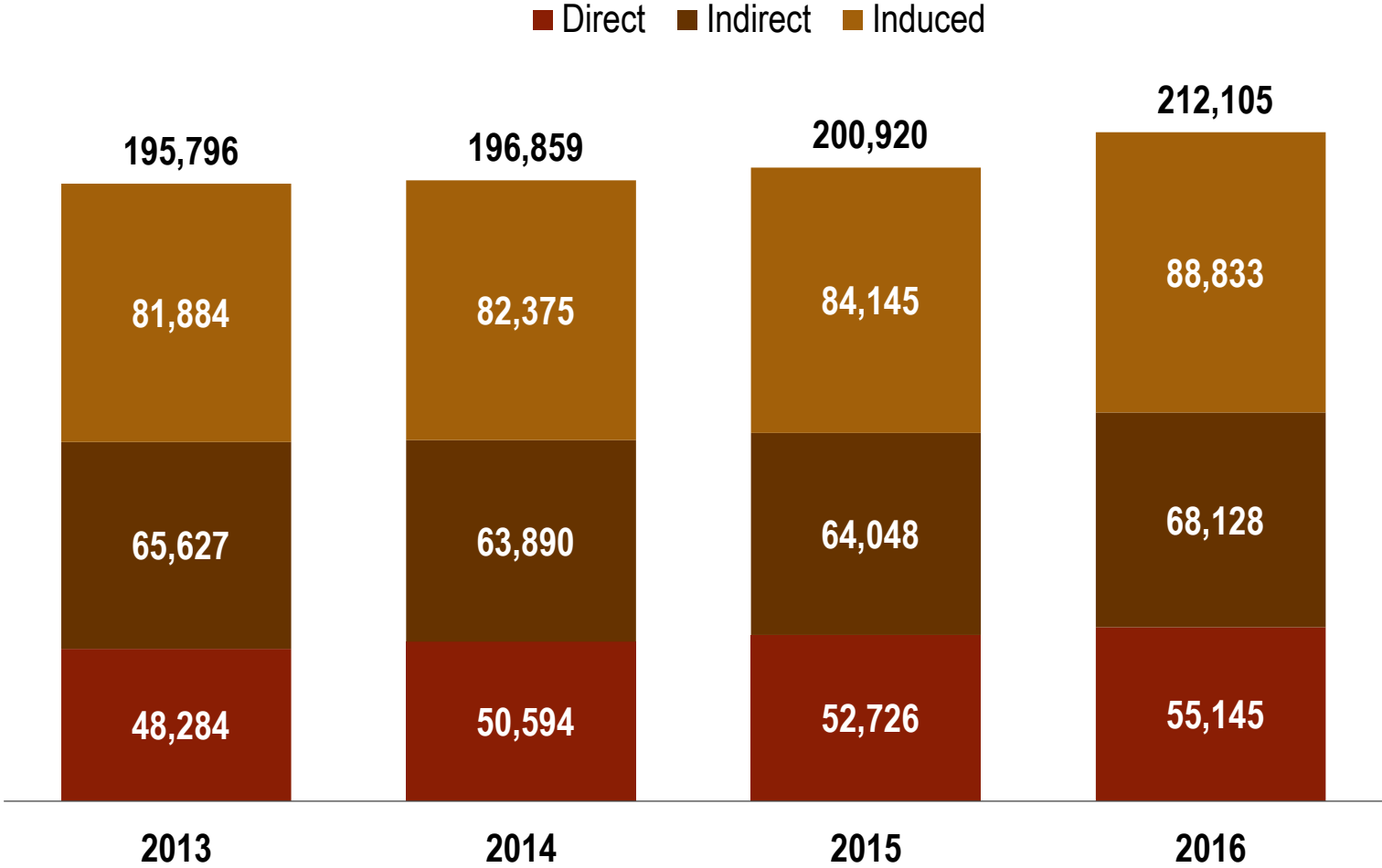


Source: Applied Analysis and IMPLAN. Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

Historical Employment Impact

Employment

- Direct employment within the gaming supplier industry totaled approximately 55,145 during 2016, which reflected an increase of 4.6 percent from 2015.
- The combined employment impacts, inclusive of indirect and induced impacts, reached approximately 212,105 during the latest reporting period (+5.6 percent).
- The average direct wage per employee reached approximately \$89,400 in 2016.



Source: Applied Analysis and IMPLAN. Note: Totals may not sum due to rounding.



ECONOMIC IMPACTS: COMPANIES WITH OPERATIONS IN NEVADA

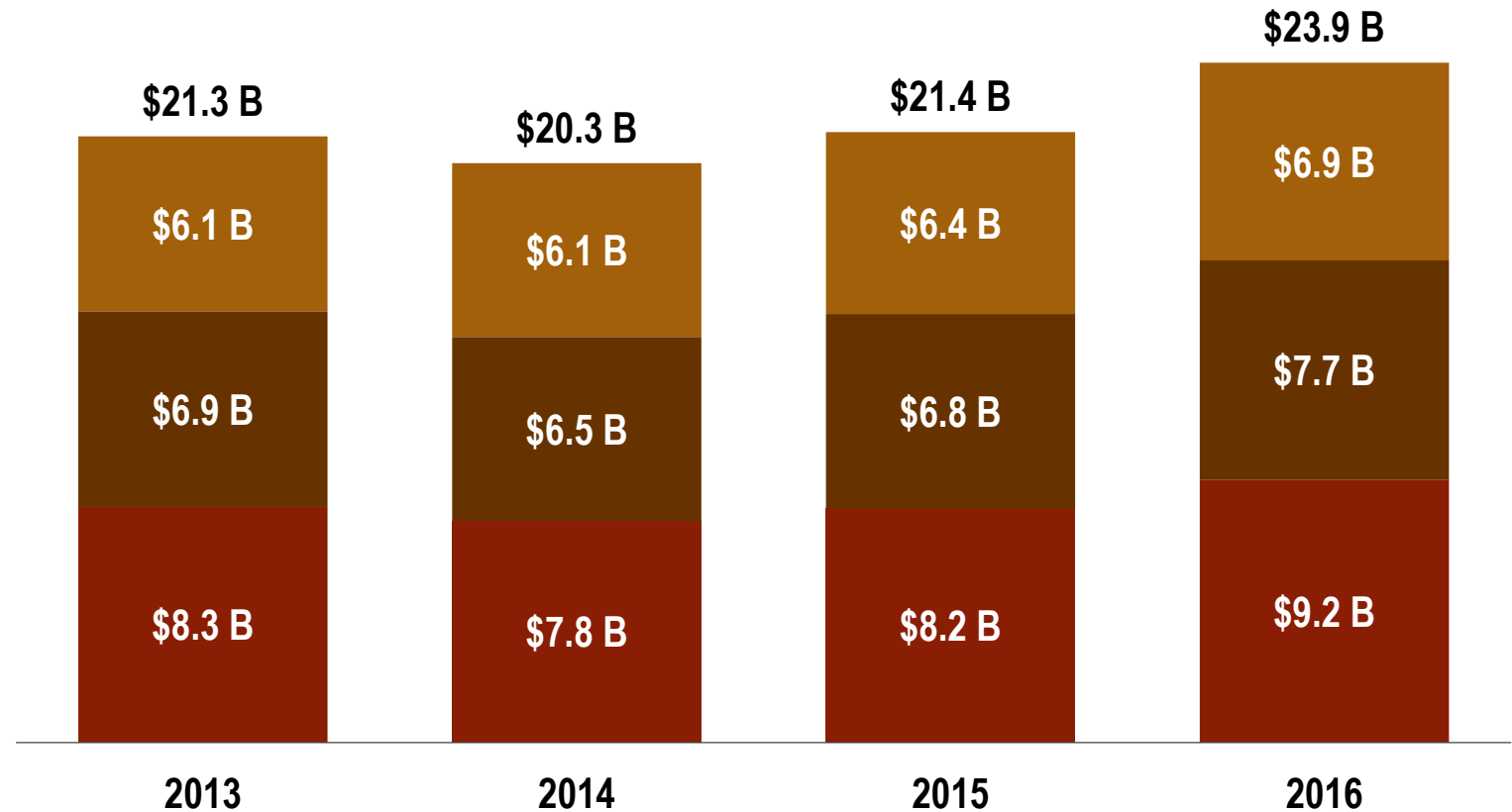
Historical Economic Output Impact

Economic Output

- Total output (revenue) for companies with operations in Nevada reached \$23.9 billion in 2016, which represented a 12.4-percent increase from the prior year.



■ Direct ■ Indirect ■ Induced


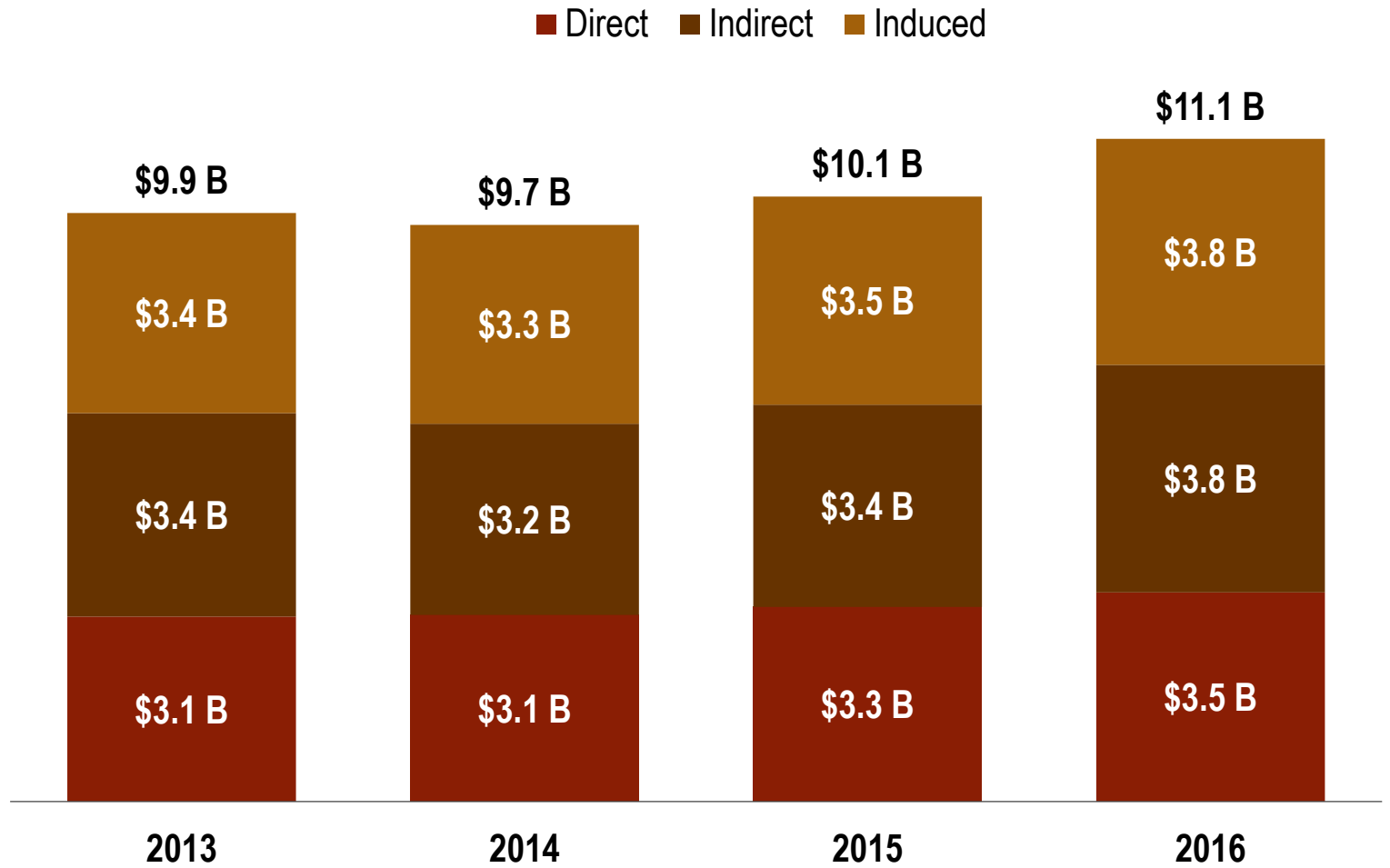


Source: Applied Analysis and IMPLAN. Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

Historical Value Added Impact

Value Added

- Total value added by companies that housed operations in Nevada reached \$11.1 billion in 2016, reflecting an increase of 7.4 percent from 2015.

Source: Applied Analysis and IMPLAN. Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

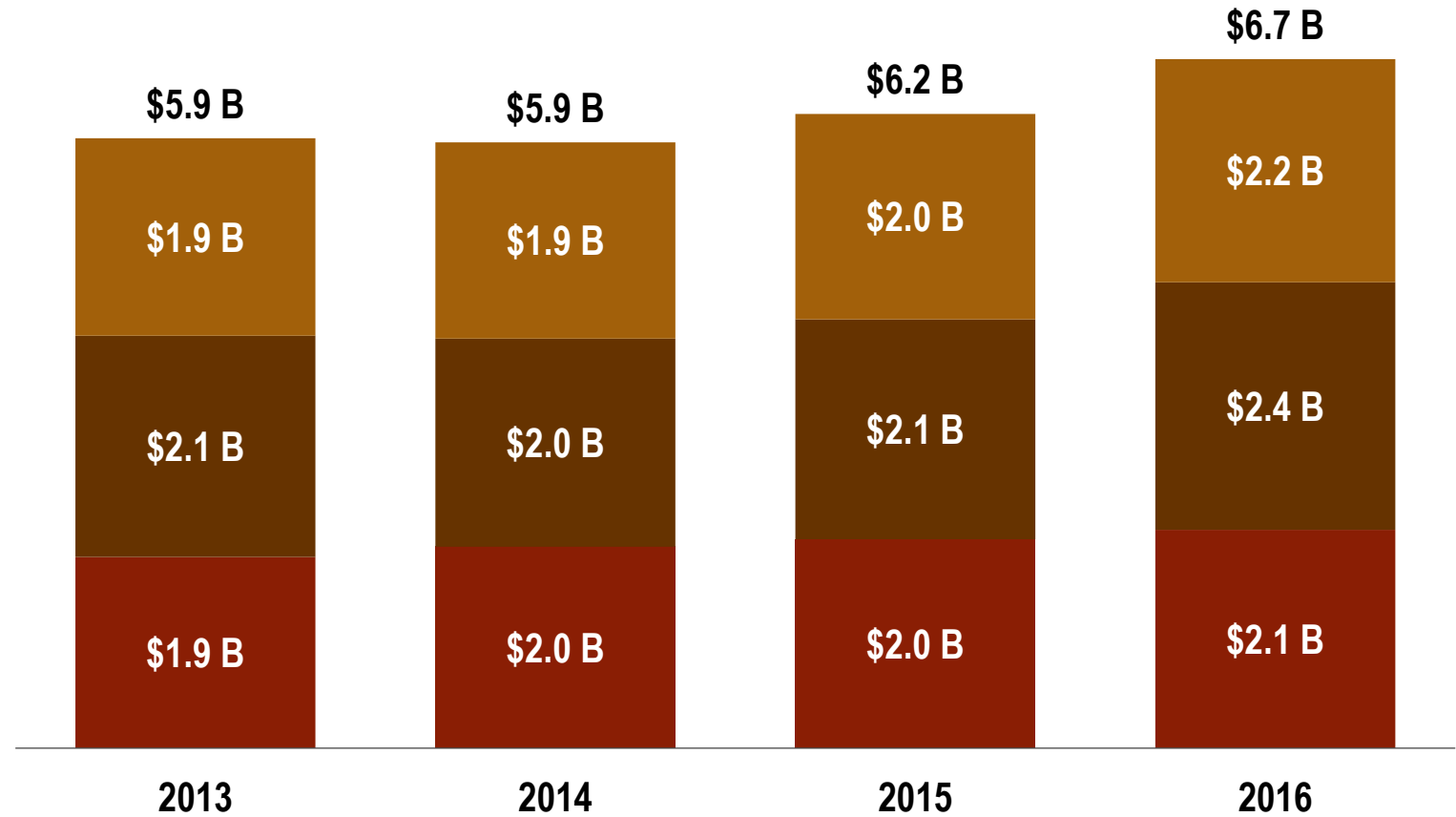
Historical Wages and Salaries Impact

Wages and Salaries

- Total wages and salaries paid as a result of the gaming supplier industry reached \$6.7 billion during 2016, which was an increase of 4.5 percent during the past 12 months.



■ Direct ■ Indirect ■ Induced



Source: Applied Analysis and IMPLAN. Notes: Currency expressed in billions in 2017 constant dollars; totals may not sum due to rounding.

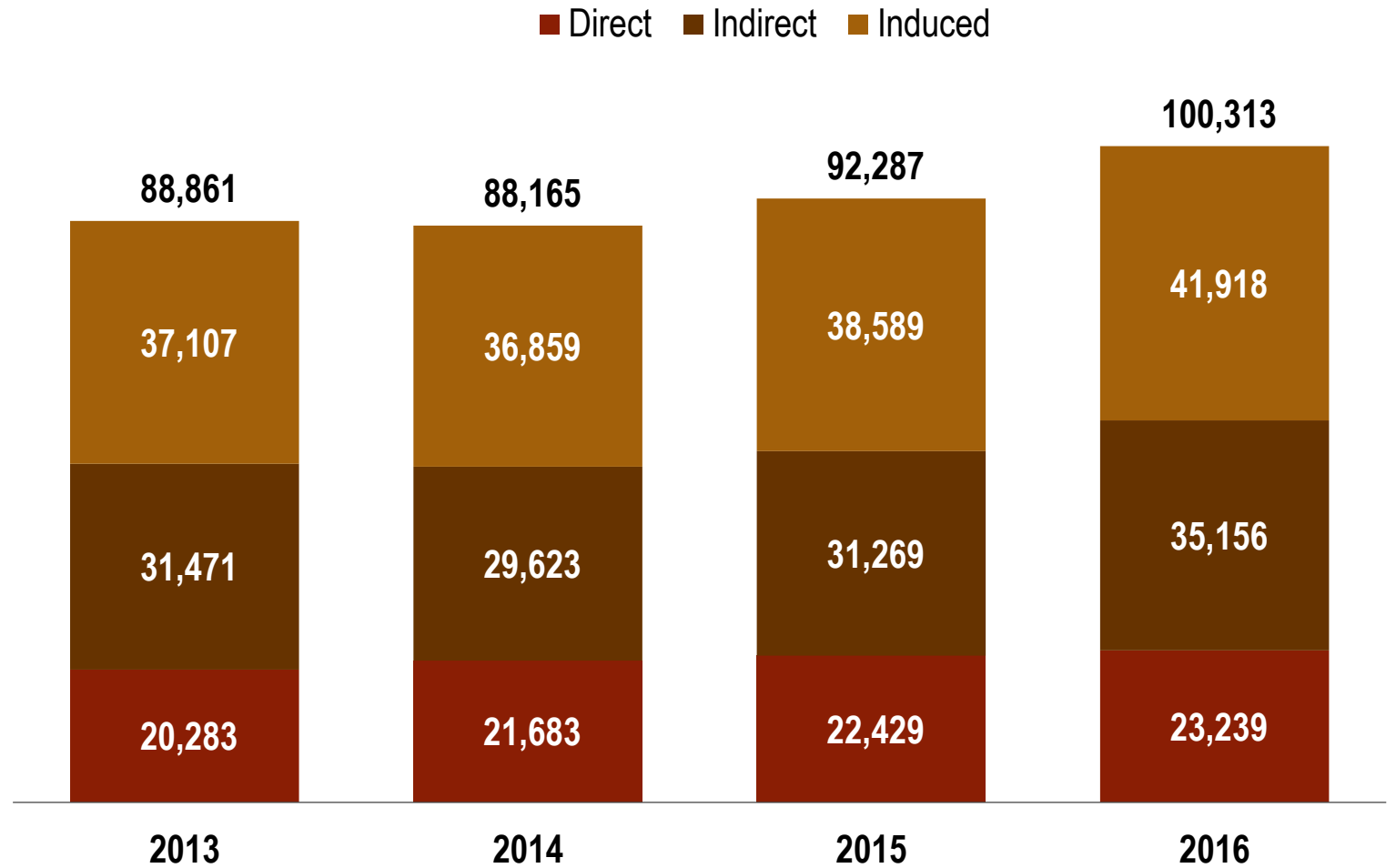
Historical Employment Impact

Employment

- Employment within the gaming supplier industry exceeded 100,000 in 2016 for companies that had operations in the Silver State.



Nevada



Source: Applied Analysis and IMPLAN. Note: Totals may not sum due to rounding.

MEMBER SURVEY



Association of Gaming Equipment Manufacturers

INDUSTRY IMPACT ANALYSIS
Global Gaming Supplier

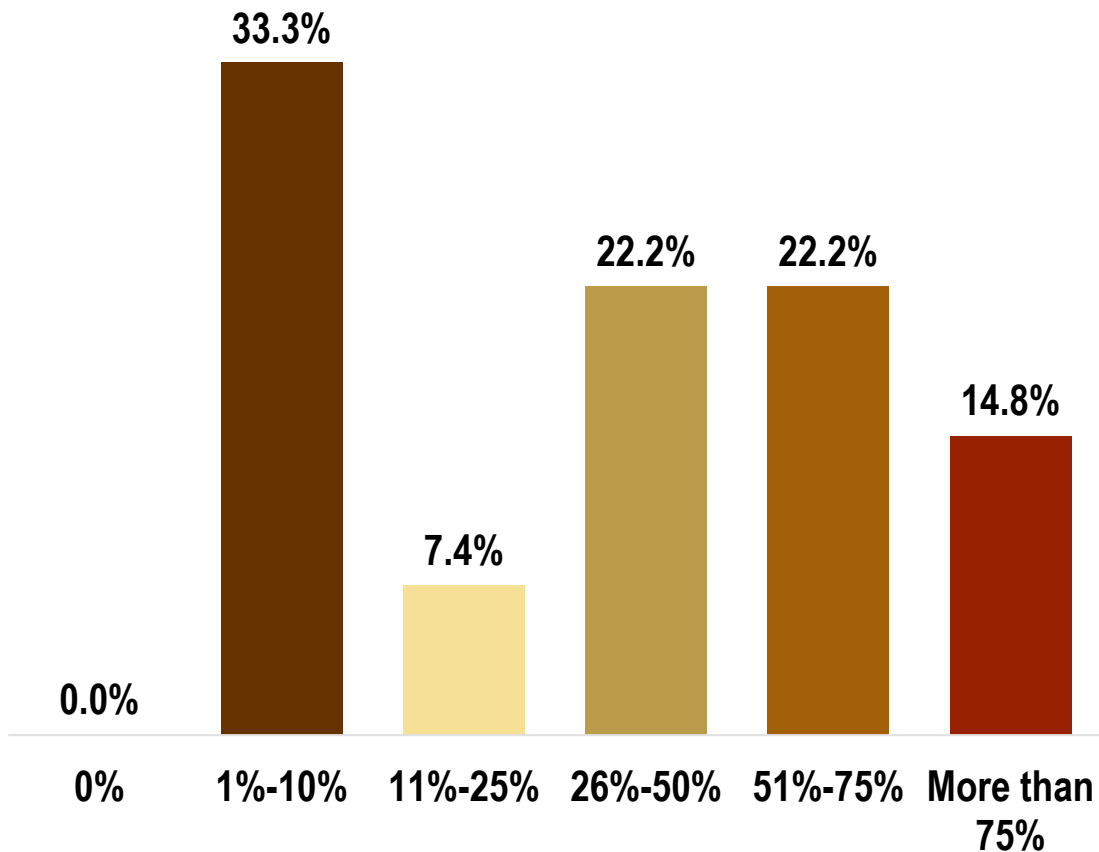


AGEM Membership Survey

Overview and Methodology

- Applied Analysis worked cooperatively with AGEM's membership to conduct a sentiment and research survey to gauge the equipment manufacturing industry's perception of the market and other key operational attributes.
 - The survey was conducted during March 2016 via email, with individual member results to remain confidential.
 - Respondents included chief executives, senior management and other leadership positions at various gaming suppliers around the world.
- The survey focused on a handful of topics, including employee benefit programs, financial performances during the past year and expectations for the market in 2017.
 - Overall, the industry has positive expectations for 2017 with economic conditions expected to improve.
 - Importantly, more than 9 out of 10 respondents indicated they expect demand for their products and services to increase in 2017, and all respondents expect their employee headcounts to remain about the same or increase (none suggesting decline).

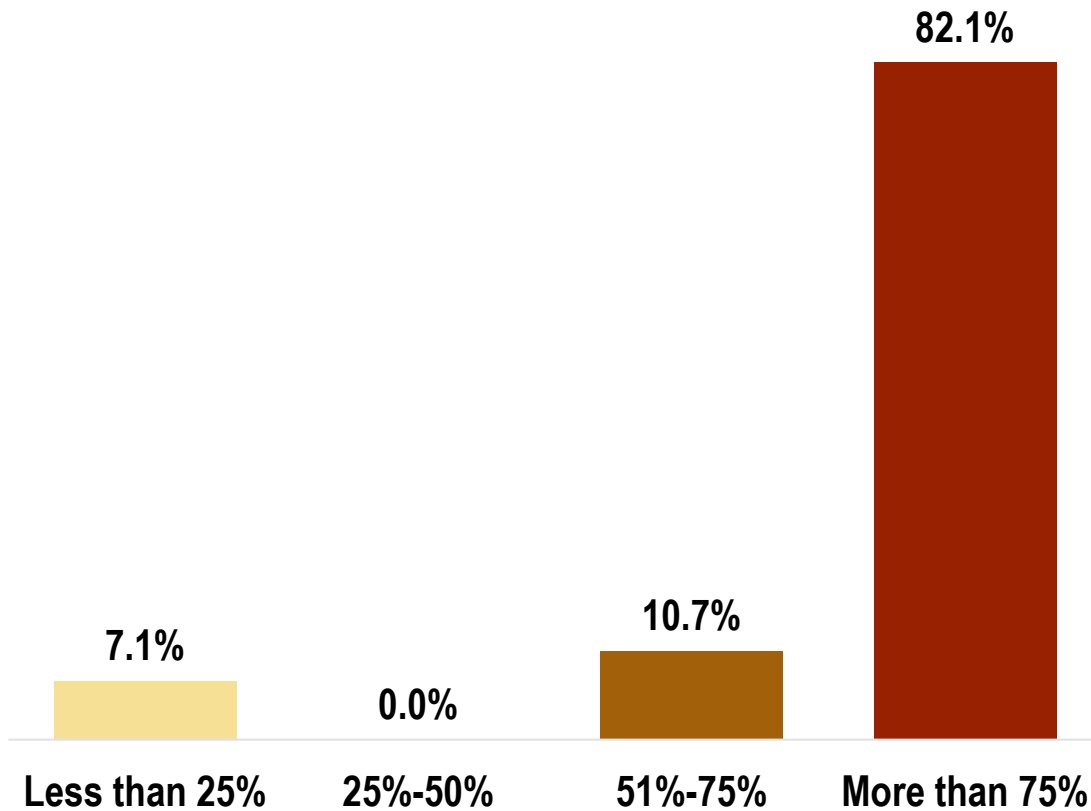
What percentage of your company's purchases during 2016 were made from local vendors?



Almost 3 out of 5 respondents (59%) reported that more than 25% of their company's purchases during 2016 were made from local vendors. One-third (33%) indicated that less than 10% of their purchases were made locally.

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

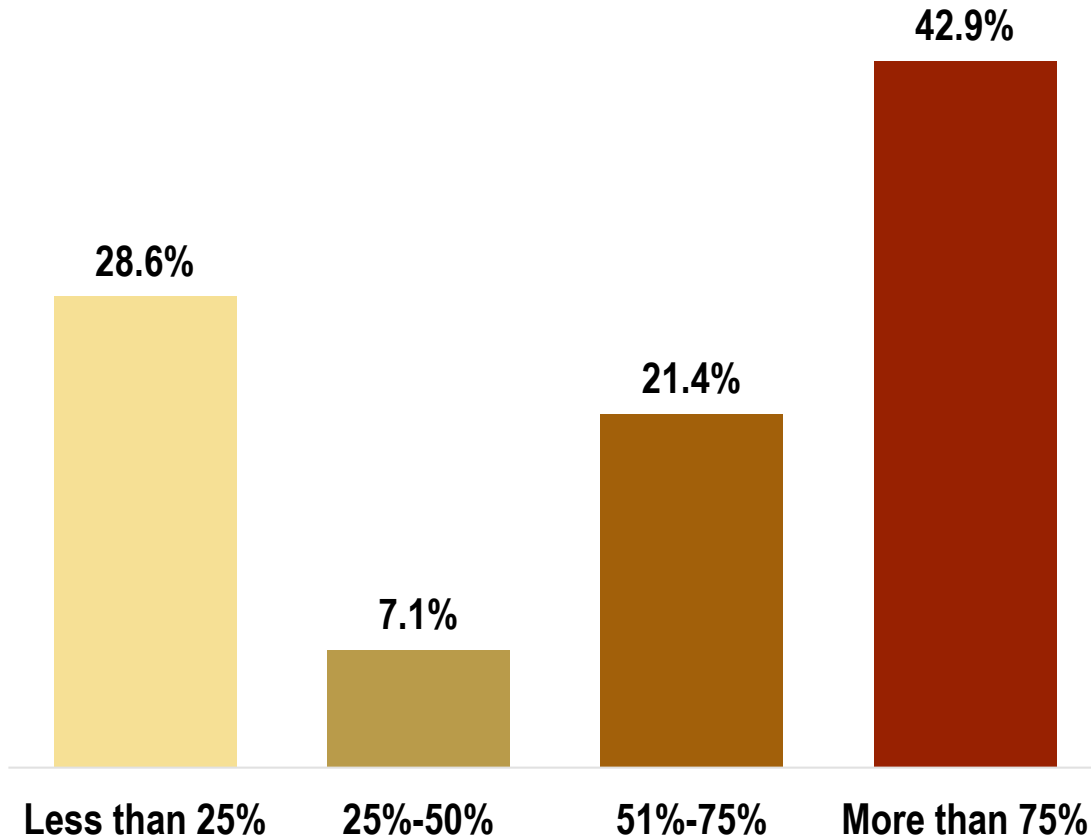
What percentage of your employees are covered by employer-sponsored health care plans?



Roughly 4 out of 5 respondents (82%) reported that more than 75% of the employees in their company are covered by employer-sponsored health care plans.

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

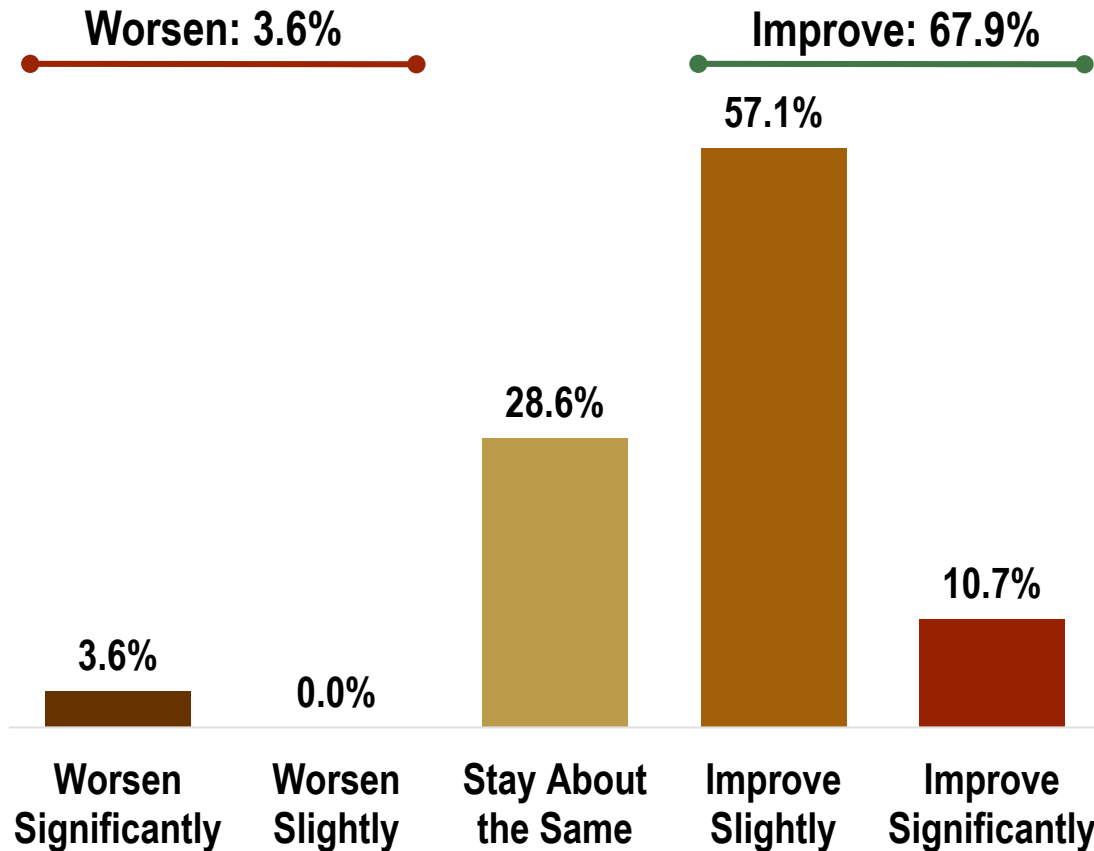
What percentage of your employees are covered by employer-sponsored retirement programs?



More than three-fifths of respondents (64%) reported at least half of the employees in their company are covered by employer-sponsored retirement programs.

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

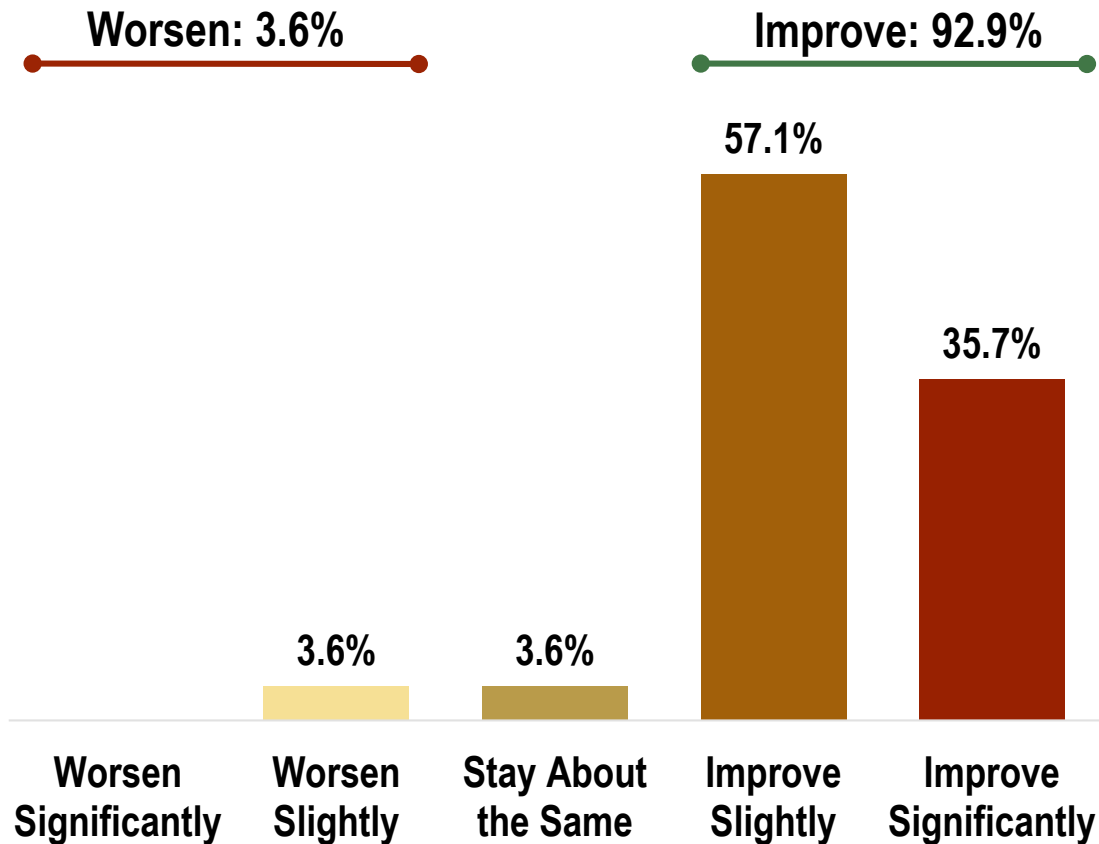
Looking forward, which of the following statements is most consistent with your expectations of economic conditions during the next 12 months?



Over two-thirds of respondents (68%) expect the economic conditions to improve during the next 12 months. Furthermore, less than 4% of respondents expect economic conditions worsen.

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

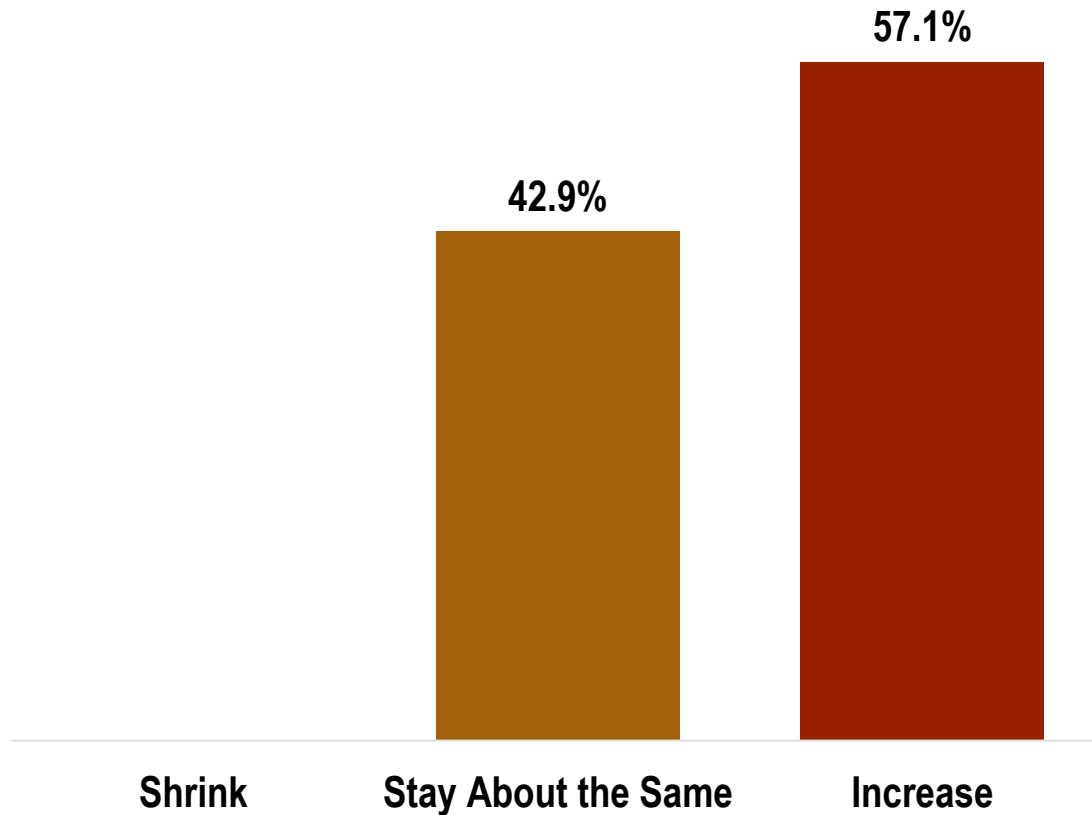
Looking forward, which of the following statements is most consistent with your expectations of demand for your product/services during the next 12 months?



Nearly 93% of respondents expect the demand for their products/services to improve, with more than one-third expecting the demand to increase significantly.

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

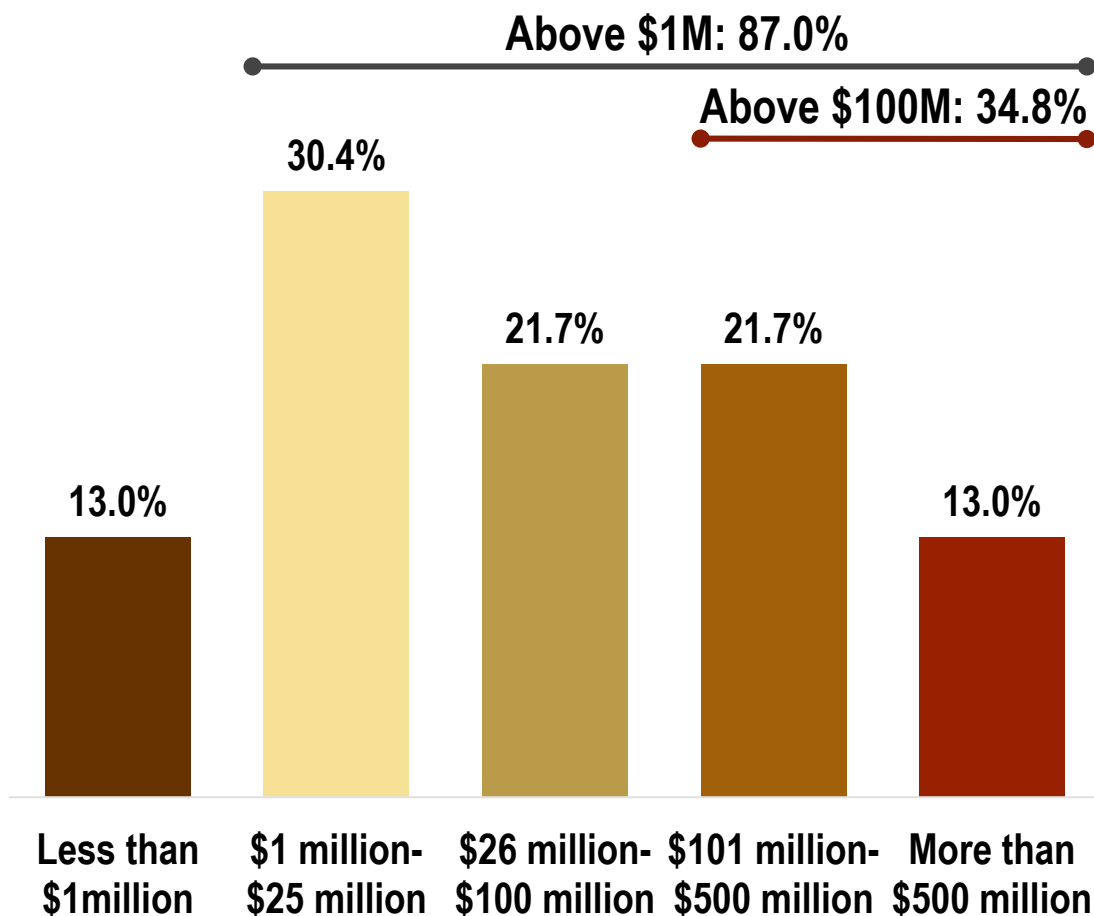
Looking forward, which of the following statements is most consistent with your company's expectations of staffing levels during the next 12 months?



None of the respondents expect to decrease their staffing levels during the next 12 months, with almost three-fifths (57%) of the respondents expecting to increase their staffing levels.

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

What was your company's gross revenue in 2016?

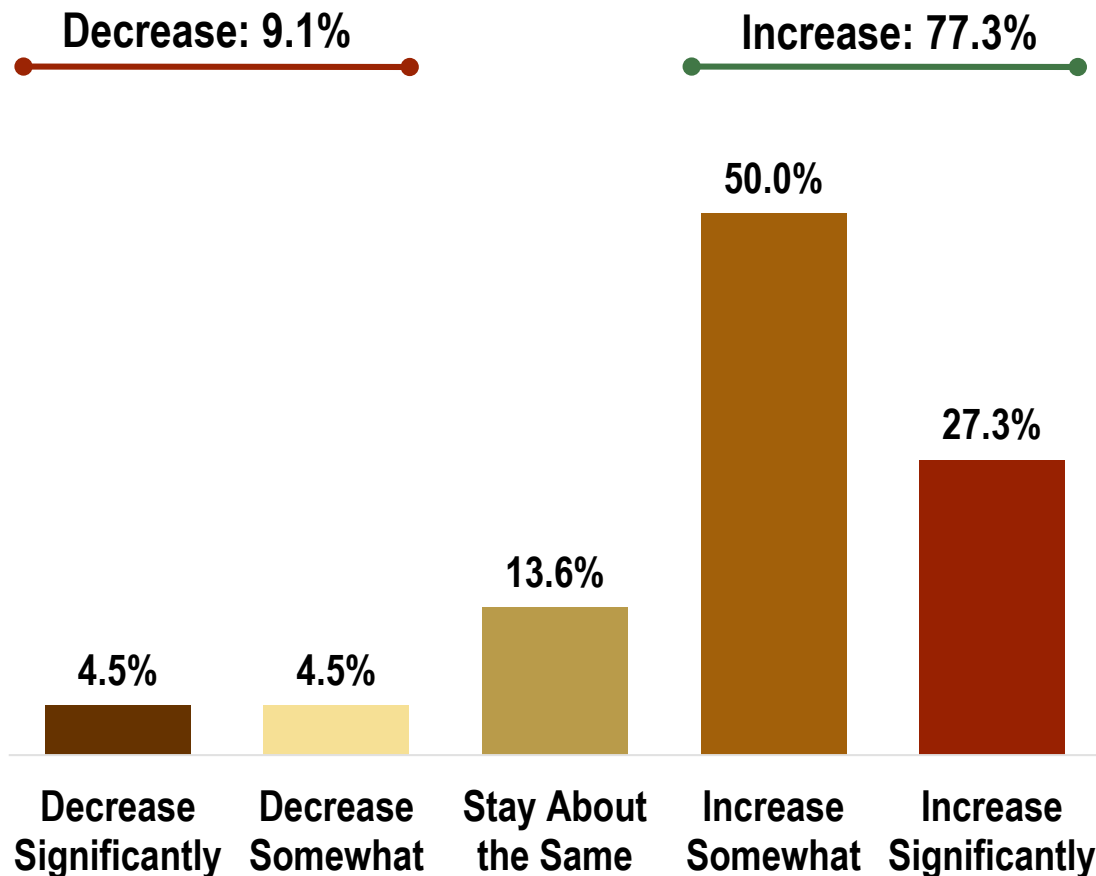


Respondents were evenly distributed in the specified revenue ranges, with more than one-third of survey respondents earning over \$100 million in revenue for 2016.

(Asked among privately held companies)

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

Did your company's gross revenue increase, decrease or stay about the same from 2015?

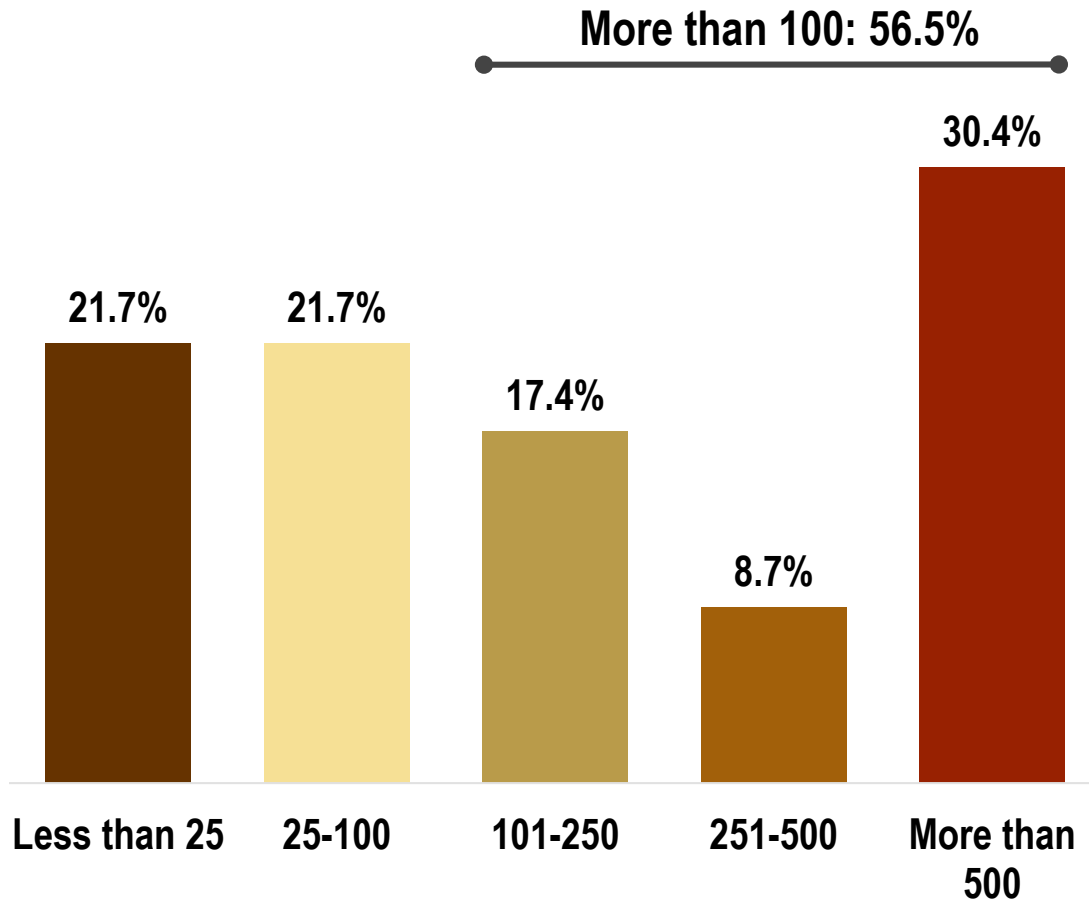


One-half of survey respondents reported that the company's gross revenue increased between 0% and 10% (increased somewhat) from the prior year.

(Asked among privately held companies)

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

How many employees did your company employ in 2016?

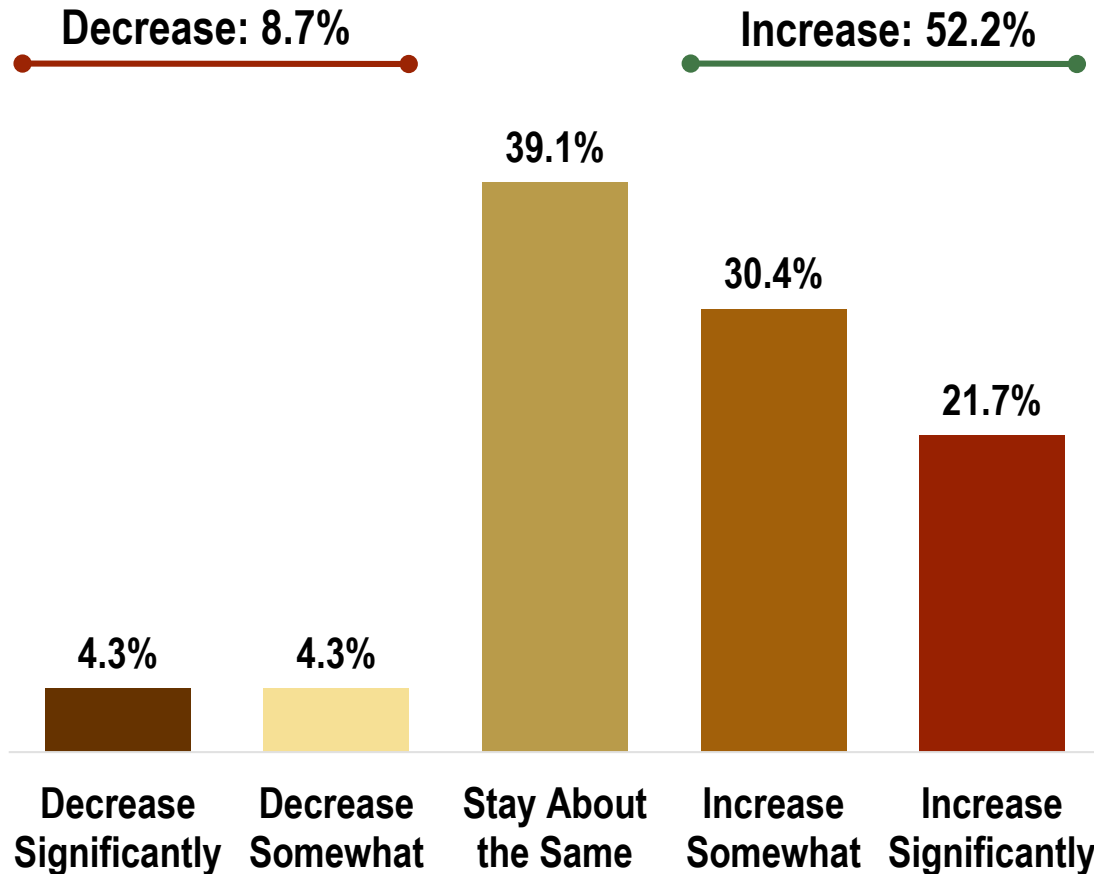


Nearly 57% of survey respondents indicated that their company employed over 100 employees in 2016.

(Asked among privately held companies)

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

Did the number of employees in your company increase, decrease or stay about the same from 2015?

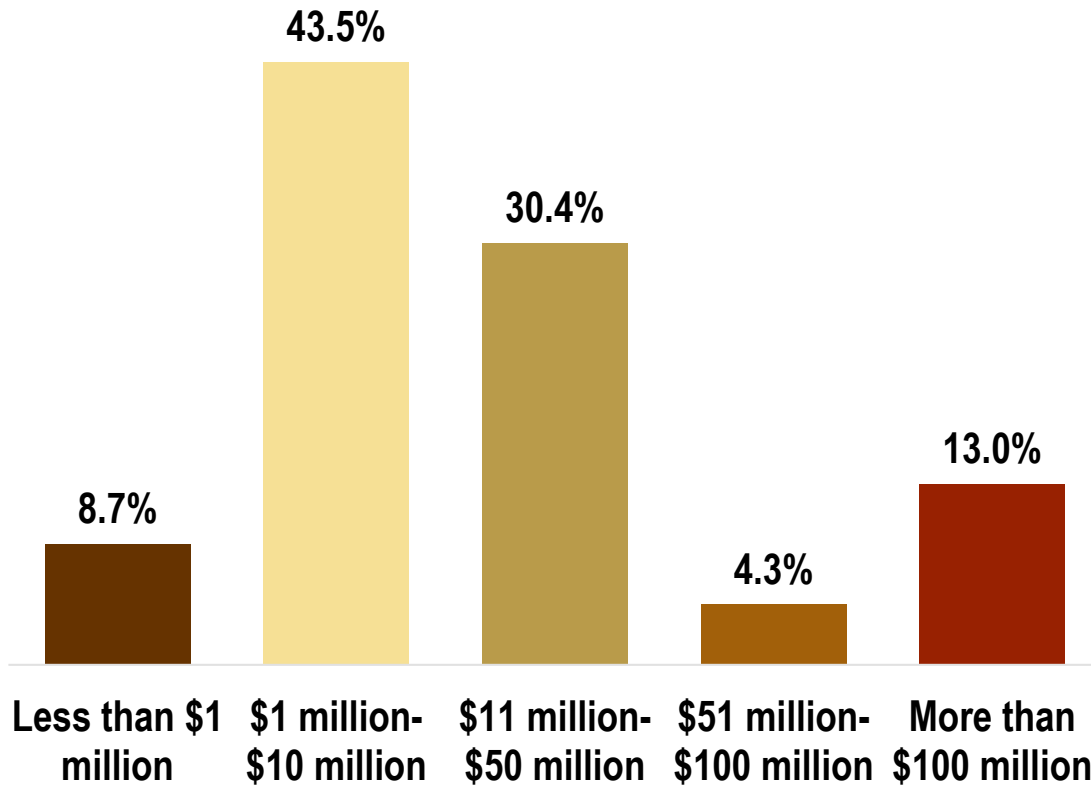


Over half of the survey respondents indicated that the number of employees in their company increased, with 22% of respondents stating the increase was greater than 10%.

(Asked among privately held companies)

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

How much did your company pay in salaries and wages in 2016?

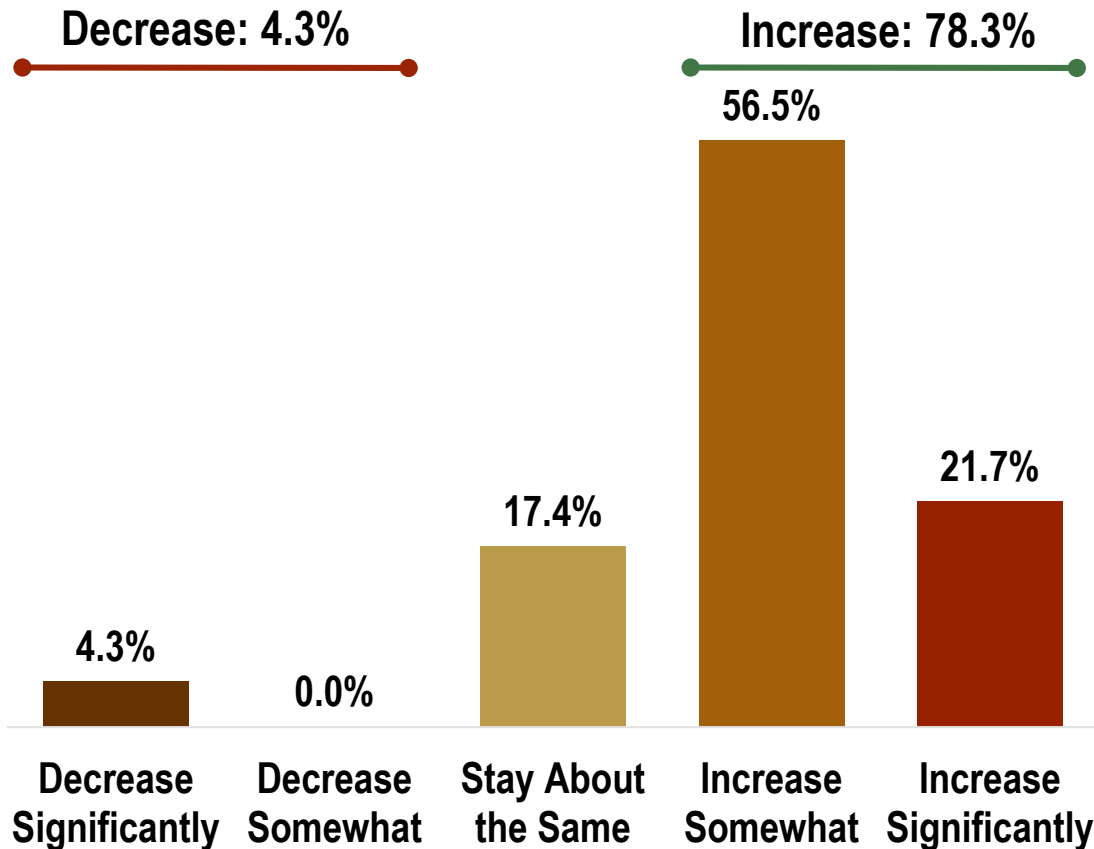


The largest share of respondents (44%) reported paying between \$1 million and \$10 million in salaries and wages in 2016.

(Asked among privately held companies)

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

Did the amount of salaries and wages your company paid increase, decrease or stay about the same from 2015?



Over three-fourths of survey respondents indicated that the amount of salaries and wages their company paid increased from 2015, with the majority (57%) stating they increased between 0% and 10%.

(Asked among privately held companies)

Source: Association of Gaming Equipment Manufacturers member survey. Note: Totals may not sum due to rounding.

About AGEM

AGEM is an international trade association representing manufacturers of electronic gaming devices, systems, lotteries, and components for the gaming industry. The Association works to further the interests of gaming equipment manufacturers throughout the world. Through political action, tradeshow partnerships, information dissemination and good corporate citizenship, the members of AGEM work together to create benefits for every company within the organization. Together, AGEM and its member organizations have assisted regulatory commissions and participated in the legislative process to solve problems and create a positive business environment.

AGEM Gold Members:

- AGS
- Ainsworth Game Technology
- Aristocrat Technologies
- NOVOMATIC Group
- Everi Holdings Inc.
- International Game Technology PLC (IGT)
- Intralot S.A.
- Konami Gaming
- Merkur Gaming
- Sega Sammy Creation
- Scientific Games

AGEM Silver Members: Action Gaming, Aruze Gaming America, Casino Technology, Crane Payment Innovations (CPI), Gaming Partners International (GPI), JCM Global, NYX Gaming Group, Ortiz Gaming, Quixant PLC, Suzo-Happ Group, TCSJohnHuxley, William Hill US and Zitro.

AGEM Bronze Members: Abbiati Casino Equipment, Alfastreet, Amatic Industries, APEX gaming, Astro Corp., BetConstruct, Bingotimes Digital Technology, Boss Gaming, Cammegh Limited, Century Gaming Technologies, CG Technology (CGT), Cole Kepro International, Euro Games Technology (EGT), Exacta Systems, FBM, Galaxy Gaming, Gambelit Gaming, GameCo, Gaming Arts, Gaming Support, Glory Global Solutions, Grand Vision Gaming, Incredible Technologies, Inspired Gaming, Interblock USA, Intervision Gaming, ISMS, Iverson Gaming Systems, Jumbo Technology, Matsui Gaming Machine Co., Metronia, Patriot Gaming & Electronics, Spintec, Table Trac, Vantiv Entertainment Solutions, Wells-Gardner Technologies and Win Systems.

AGEM Associate Members: 3M Touch Systems, Adlink Technology, Advantech-Innocore, Agilysys, AMD, Arrow International, Asimex Global, Atrient, Automated Cashless Systems, AVUITY, Axiomtek, British Group Interactive (BGI), Camryn Industries, CardConnect, Carmanah Signs, Casino Connection International, Casino Screens, Catapult Global, CDC Gaming Reports, CMC Trading Engineering, Cooper Levenson, Digital Instinct, DiTronics Financial Services, Duane Morris LLP, EFCOTec Corporation, Eilers & Krejcik Gaming, Elite Gaming Technology, Esterline Interface Technologies, Fantini Research, Finnegan, Henderson, Farabow, Garrett & Dunner, Fox Rothschild, G2 Game Design, Gambling Compliance, GAN, Gaming and Entertainment Touch Technology, Gaming Capital Group, Ganlot, Gary Platt Manufacturing, Genesis Interactive Technologies, GeoComply USA, Global Gaming Group (G3), Greenberg Traurig, Holley, Driggs, Walch, Fine, Wray, Puzey & Thompson, House Advantage, Howard & Howard, Impact Display Solutions, Intel, IPS, James Industries, James Industry Research Group, JCS Technologies, Jones Walker, KEY-BAK, Kontron, Lazcano Sámano, Lewis Roca Rothgerber Christie, Lightstone Solutions, Majestic Realty, Media Resources, Metalcraft, NanoLumens, Olsen Gaming / Spectronix, Outpost Creative, Passport Technology, Patir Casino Seating, Portilla Ruy-Díaz y Aguilar, Proforma GPS, Regulatory Management Counselors (RMC), RMMC, RSM US LLP, SAP, SCA Gaming, Sightline Payments, Slot Constructor, Southwest Manufacturing Services, Spin Games, StylGame USA, Taft Stettinius & Hollister, Talent Associates, The Bright Group, Tohkoh Plastics America, Touch Dynamic, Touch Embedded Solutions, Tournament One, TOVIS, TraffGen USA, TransAct Technologies, Veridocs, Wells Fargo, Young Electric Sign Company (YESCO) and Zebra Technologies.

For More Information, Contact:

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702.812.6932 | AGEM.org@cox.net



About the Author

Applied Analysis (AA) is a Nevada-based economic analysis and gaming consulting firm with extensive experience in preparing economic and fiscal impact analyses. AA also maintains a broad range of gaming experience and has performed work for some of the largest gaming companies in the world. AA has been retained by several organizations to review and analyze the economic, fiscal and social impacts of community investments and operations. This includes impacts on employment, wages and output as well as impacts on tax collection and public service demands.

AA is an information and analysis resource founded in 1997 for both the public and private sectors. Our team has extensive experience in real estate, market analysis, urban economics, information technology, finance and hospitality consulting. We apply this knowledge in an effort to develop creative solutions to our clients' challenges.

Our team has performed analyses in Nevada, California, Mississippi, Colorado and Illinois. We have serviced a broad spectrum of business clients, from governmental agencies to healthcare providers. Our public sector practice has analyzed the fiscal and economic impact of developments from five to 23,000 acres, and handled policy issues spanning business tax initiatives to the cost of air quality programs.

Our vision and goals have been the same since our inception. We strive to provide superior advisory services through a better understanding of our clients and their issues. We obtain this superior understanding through listening closely to our clients' needs and designing solutions that take into account their unique nature, circumstances and requirements.

To put it simply, we are a solutions resource. Our future is branded by the success of our clients and the quality of our professionals. *Our commitment lies therein.*

Applied Analysis' broad range of experience in a number of industries and disciplines provides our professionals with a global view and approach to projects. The following highlights key service lines and areas of expertise.

- Economic Analysis
- Financial Analysis / Advisory Services
- Hospitality / Gaming Consulting Services
- Information Technology / Web-based Solutions
- Litigation Support / Expert Analysis
- Market Analysis
- Opinion Polling / Consumer Sentiment Analysis
- Public Policy Analysis

For More Information, Contact:

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Association of Gaming Equipment Manufacturers

INDUSTRY IMPACT ANALYSIS

Global Gaming Supplier

2017